MARCH 28–APRIL 10, 1988 AN ANANDA BAZAR PUBLICATION RUPEES 5

BusinessWorld

the magazine for Indian business

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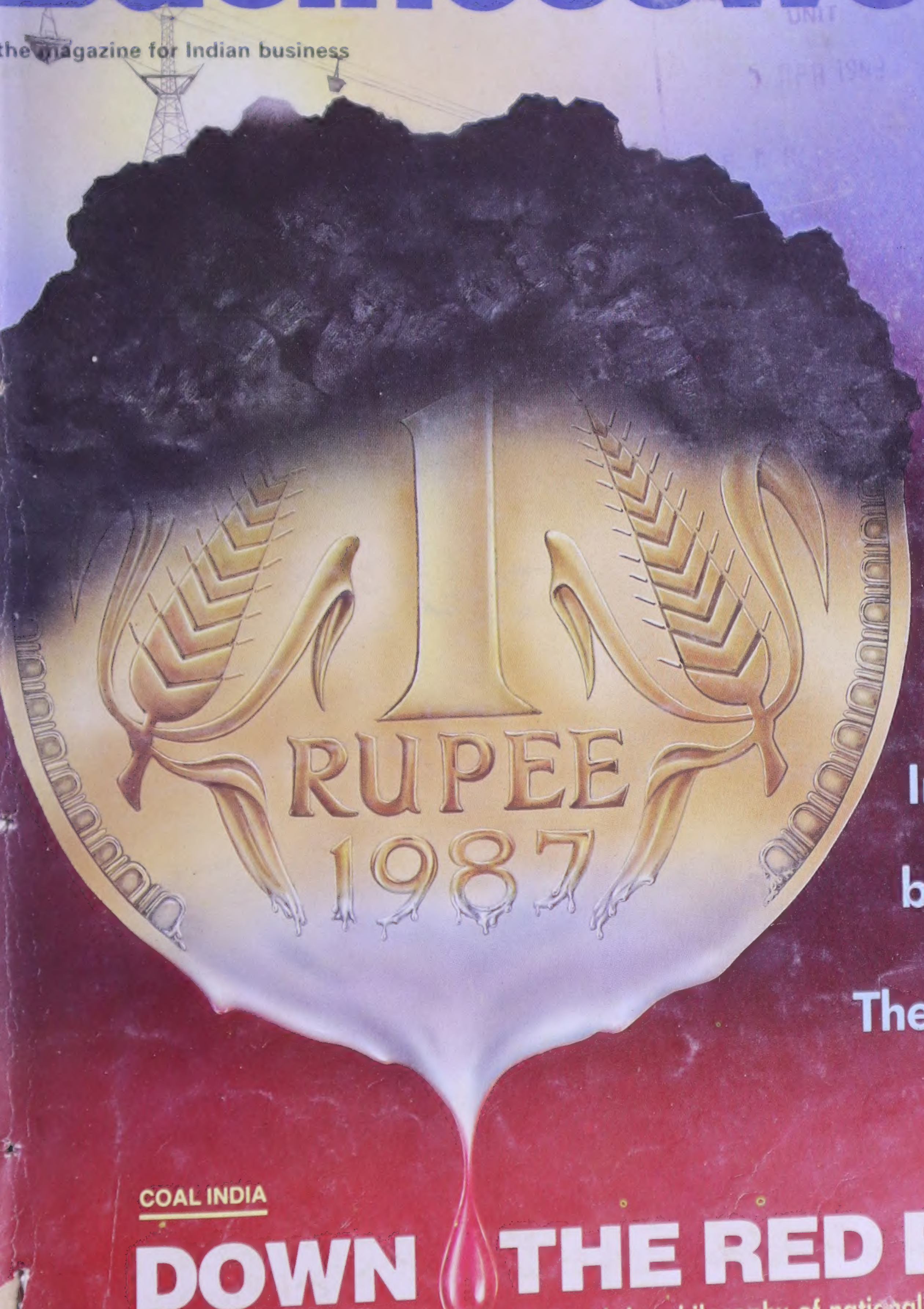

Orkay chairman
Kapal Mehra

IS EVERYTHING O(R)KAY?

India Foils
A future
beyond foi

Tourism
The new lures

COAL INDIA

DOWN THE RED ROAD

Coal India has undermined the philosophy of nationalisation

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TYPEWRITER OF TODAY

Times of India
Bombay

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FACIT — THE TYPEWRITER PEOPLE

Imageads

BusinessWorld
March 28—April 10, 1988

C. F. T. R. I.

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Coal India Ltd., the public sector behemoth destined to stay perpetually in the red, is in the news again. Almost simultaneously with a six-day strike comes an official report which details only too clearly that nationalisation has failed.

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RUPEE
1987

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With the target for foreign tourist arrivals proving as elusive as ever, plans are afoot for a facelift operations. On the way out is the image of India as a country steeped in history. Today it's a fun place too.

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The Kirloskar Electric Challenge Series

Sure, you know that Kirloskar Electric is a leading manufacturer of AC motors in India.

But did you know that Kirloskar Electric designed and developed the replacement for Russian mudgun motors with hardly any specs for the first time in India?

The story of the mudgun motor we supplied to the Bokaro Steel Plant is one of bizarre coincidences. But the moral of the story is clear: there is more to the specifications of a motor than just the rating.

Some time back, Heavy Engineering Corporation obtained our standard 50 kW motors for the Bokaro Steel Plant through one of our agents. Some time later a Kirloskar Electric technical team held a seminar on the selection of motors for specific applications, at Bokaro. By chance, the Bokaro engineers asked them about the suitability of the standard 50 kW motors for mudguns. This was the first time we learnt what job our motors were supposed to perform.

Mudgun motors as you know are for an extremely specialised application. Once the molten metal is tapped completely in a blast furnace, a mudgun has to seal the outlet with wet clay instantly. A failure of the mudgun motor can be disastrous.

Our engineers pointed out that mudgun operations require motors of a highly specialised design since these motors require an extremely high torque for short periods. They work with multiple starts and stops in high ambient temperatures. They also have to withstand extended stalling conditions because of the sticky nature of the clay.

We explained that it would take a few months to design a new motor. Would they still be interested? They said yes but they added that there were hardly any specs available. It was their turn now to ask "Would we still be interested?"

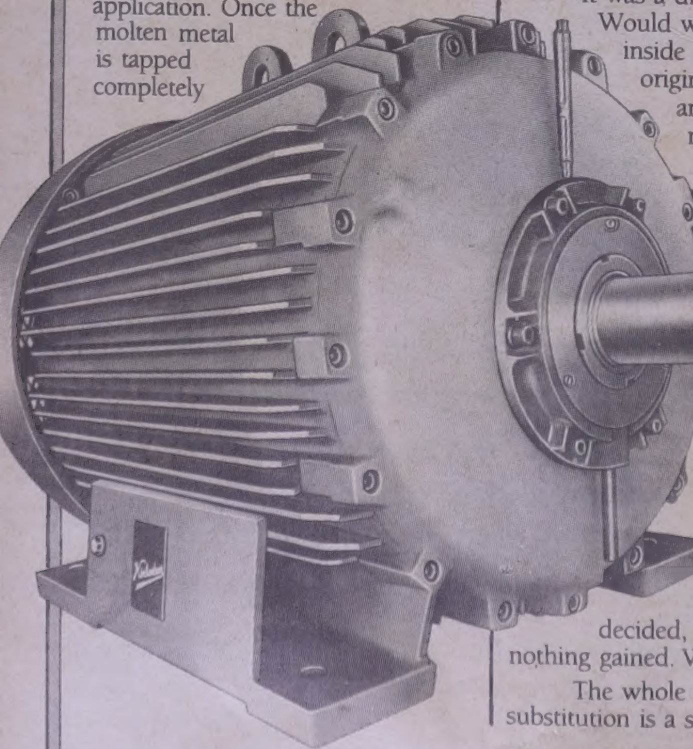
It was a difficult question. Would we be able to get inside the minds of the original Russian designers and draw up the right specs? And that was not all. Even the mounting dimensions of the Russian motors had to be adhered to. These motors had never been manufactured in India. Were we then rushing in where angels fear to tread? Quite likely. But, we decided, nothing ventured, nothing gained. We said yes.

The whole essence of import substitution is a strong and experienced engineering team with the patience and the commitment to work for years till they design and manufacture an identical replacement for the original. Plus one other critical factor: the total involvement and continuous guidance of the customer. We were lucky. We had both.

We went back to the drawing board and designed a completely new motor to meet the special requirements of this application. Our new mudgun motor has been working faultlessly since then.

All the trouble we took was well worth it. Because Bhilai Steel Plant and others placed orders with us for similar motors.

What, you may well ask, makes us take on such challenging jobs that others won't touch? The truth is standard motors — small, medium and large — are our bread and butter. We make them with an enormous amount of care because our livelihood depends on them. But it's the really tough jobs that give us our kicks. We don't just thrive on them, we need them to feel alive. What we are doing is developing technological muscle and invaluable expertise and experience. It saves the country crores in foreign exchange. And it does wonders to our self-confidence and the confidence our customers have in us. They know that when nobody else can do the job, Kirloskar Electric will.



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Pratibha /KEC/25/88

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Sometimes, the power of ideology is too strong to be resisted with the weapons of reason and logic. One such ideology that has the nation in its vice-like grip is state control of the economic apparatus and nationalisation. While the country has, in recent years, moved away somewhat from Nehru's "socialistic pattern of society" and also from his daughter's version of socialism as enunciated in the late sixties and the early seventies, there is no gainsaying that even in the Rajiv era the tired old shibboleths of the left continue to hold considerable sway. And this is notwithstanding the fact that almost everyone agrees (in private) that the state does not hold all the answers to economic problems and the policy of nationalisation is an empty one.

To the present Union government's credit it must be said that it has, by and large, eschewed talk of nationalisation of companies. But that's about all and Rajiv Gandhi, in fact, continues to milk the cow of socialistic rhetoric for public consumption. And it is here that past ideology is doing the most damage. By declaring one day that the public sector must pay for its upkeep and then announcing the next day that nothing is going to change — which is what the prime minister has been doing — the government is, in effect, acknowledging that it is a prisoner of ideology.

Of course, it can be argued that since we live in a political economy such a pandering to populism is unavoidable. But if that is true, it is even more true to say that such populism is costing the nation dear. By the tireless mouthing of socialist slogans for mass consumption, politicians — Rajiv Gandhi included — are breathing new life into spent ideologies and ensuring that past mistakes are never corrected. Thus, even though it is officially recognised that nationalisation as a policy has singularly failed to deliver the goods, even a government that is seen as the most pro-business one since Independence cannot muster up the courage to do the right thing by the nation.

Our Cover Story this time takes a look at one of the most outstanding examples of the failure of the nationalisation policy of the early seventies — Coal India. There is now little doubt — and this point is being officially conceded — that Coal India has not achieved the basic goals which were the *raison d'etre* for its nationalisation: to produce enough coal at affordable prices. Little wonder then, that the Chari Report comes to the conclusion that the public sector coal companies (i.e. Coal India's subsidiaries) "have been causing damage to the economy." Any government that fails to act after receiving such a damning indictment of one of its own limbs can be fairly accused of irresponsibility.

Our second lead story this fortnight, however, highlights one area where the government has been doing the right things of late: tourism promotion. Tourism is now getting the sort of sustained attention it deserves in official quarters and this attitudinal change is sure to bear fruit in the long run. However, given past indifference towards tourism, the situation now is that the infrastructure can't cope with even the present level of tourist arrivals from abroad.

R. Jagannathan

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CLARION/B/SM/51/254

The striker and the struck

Some parameters of success are incomprehensible. For the opposition parties,the one-day bandh on 15th March was an occasion for much cheer. A few people were killed,hundreds were injured and normal life was paralysed over large parts of the country. It also cost the nation a whopping Rs. 750 crores in production loss — a sum which it can ill afford.

The Ides of March also gave the opportunity to others to contribute their mite to national wastage Workers in public sector units (PSUs) went on a three-day walkabout to protest against, among other things, "the denigration and privatisation of the public sector." The quantum of loss to the nation is buried in a welter of claims and counter-claims on the success of the strike. The coal miners went one better — they called a six-day strike. The cost: 7.65 lakh tonnes of lost production per day amounting to Rs.18.80 crores.

The organisers of such sundry agitations do not, of course, count the costs. What the budget did with studied deliberation — by way of additional levies of Rs.615 crores — the opposition bandwagon has undone in a single day's senseless brouhaha. It is ironical that one of the reasons of the Bharat bandh was the increase in prices.

It seems to matter little that such agitations can only debilitate an already ailing economy. The 1987 drought — the worst ever in this century — should have been a signal to tighten belts, not to take to the streets or hang around for handouts. The opposition leaders stand guilty of irresponsibility at a time when it is necessary for all hands to work together; but, then, responsibility has never been their forte.

The PSU and coal sector unions deserve even stronger condemnation. The PSUs — Coal India included — are monstrous monuments of inefficiency. Returns on the massive investment made over the years are negligible. Worse, their performance is on the way down. Provisional estimates for the first six months of 1987-88 put profits at Rs. 59.79 crores against Rs. 232.96 crores in the corresponding period of 1986-87. The reason for this decline is stated to be the payment of interim relief to public sector employees.

Coal India, where the unions organised a separate stir of their own, is a typical example. A workforce of six lakhs, much of it supernumerary, is kept in fine fettle by government largesse. Accumulated losses are more than Rs. 2,000 crores. And yet the unions have to inflict a Rs. 100 crore blow to press for totally unjustified demands.

But the point at issue is not so much whether the demands are justified, as is the use of a strike as an instrument of protest. Elementary logic says that the loss of 3.6 million man-days can only push the company deeper into the red. Surely, it is hardly the way to coax it to pay more.

Strikes, bandhs and the like erode the very ethos of industrialisation. Labour militancy in West Bengal has prompted many units to move out to less troublesome pastures. In the process, a once frontline state is being relegated to the also-ran status. What is true of a state is equally valid for the nation as a whole. At a time when there has been a serious setback on the agricultural front and the hopes of the economy are pinned on industry, it is vital that such profligate actions be eschewed. A strike, like a bandh, ultimately rebounds on the striker.

MUL clarifies

SIR — We invite your attention to your Offstage item 'Maruti finds a can of worms' (*BW* February 15-28). We are disappointed that a magazine of your status could have published an article containing so many factual inaccuracies.

For example, the managing director of the company has never been summoned to the prime minister's office to explain the alleged delays in the indigenisation programme. The statement that a spirited defence against the Planning Commission's figures was put up is also factually wrong, as no such occasion has ever arisen. This is besides the fact that, to the best of the company's knowledge, at no stage has the Planning Commission stated that Maruti's indigenisation programme is two years behind schedule.

Again, the article states that production at the factory was held up for two weeks in January. The production of vehicles in January 1988 was 7,295 and this number could not have been produced if production did not take place for two weeks. Actually, six days of production of the Omni alone were lost.

Another incorrect claim you make is that four executives were forced to resign on the ground of awarding lucrative contracts for the supply of components to companies set up in the name of their relatives. No executive was forced to resign on any such ground, and no executive working in the vendor development or purchase departments has, at any stage, been associated with the finalisation of contracts for any component in which any of his relatives may be interested.

Lastly, the article implies that substandard components are being deliberately accepted for a consideration. Considering the fact that indigenisation today is over 70%, and the volume of production is about 8,000 vehicles a month, it is not unexpected that some Indian components would not perform as expected. It would be unrealistic to expect all Indian vendors to attain Japanese standards of quality in a short period of time. Even in Japan there are claims under the warranty policy because of defective components. In Maruti vehicles, all components which do not perform as expected are replaced under the warranty policy, and the component supplier makes good the defective component by providing a component of acceptable quality. Therefore, the vendor is penalised through the warranty policy for any defective component he supplies. A component manufacturer, or Maruti, cannot get away by supplying or using sub-standard components, because of the warranty commitments to the customer.

In case there was any specific instance regarding this allegation backed by some evidence, should it not have been brought out in a complaint to the appropriate agency? And is it ethical to make such a generalised allegation against the company without any evidence?

Mrs. Meena Habibuddin
Deputy manager (PR)
Maruti Udyog Ltd.

We stand by the basic thrust of our story, except for one minor detail. In our story we mentioned that there had been a production stoppage for about two weeks in January. As the above letter points out, the production of the 'Omni' alone was disrupted for six days in January. We stand corrected — Editor

Not from IIMs alone

SIR – In your Cover Story 'Headhunters on campus' (*BW* February 29-March 13) you have considered only the National Institute of Management and a few other management institutes. Good candidates can, however, be recruited even from some university departments and colleges affiliated to universities which are doing very well.

A few employers opine that many students from national institutes are job hoppers and those from the IITs, especially, leave the country. Society spends a lot of money on these institutions but gets meagre returns on its investments. Every year employers go to campuses to select candidates. Even so, I feel they have to advertise and select management students from the smaller institutes. With some training these students can be as good as their counterparts in the IIMs. Further, you can expect them to be loyal.

Employers have a responsibility to society. Their universe should include all the management students in the country. After trying out students from a cross-section of management institutes, they can decide whether they should go to the doorsteps of the IIMs and IITs.

Mrs. R. Santhanalakshmi
PSG College of Technology
Coimbatore

So, what's new?

SIR — Even after closely probing your voluminous and flattering Cover Story 'Headhunters on campus' (*BW* February 29-March 13) one fails to comprehend what the authors intend to convey. That the country's technical and managerial cream, being a minuscule section of numerous employables, dictates terms to companies? The best brains get the best pay-packets in their fields. So, what's new?

The authors should have studied a few of the lesser-known institutions, their students and their employment opportunities. Not just the IITs and IIMs. That would have provided down-to-earth value to the discerning reader.

Vivekanand V. Kadam
Bangalore

Cos. deserve rebuff

SIR — I read with great interest your Cover Story 'Headhunters on campus' (*BW* February 29-March 13). Some big companies deserve to be rebuffed by the MBAs for failing to honour the commitments they make at recruitment sessions. I have come across cases when companies promise management students stupendous salaries, but later renege on their offers. Vague offers are made during negotiations, but ultimately, they grant appointment terms that are standard in all cases.

Unfortunately, the MBAs themselves are partly to blame for this state of affairs. They are intelligent, but arrogant and loud-mouthed. They perform well in companies like Hindustan Lever and Richardson Hindustan, where systems are efficiently organised. But how many of these management whiz-kids can claim to have lifted small or medium-sized sick units out of the morass?

Natverlal Desai
Bombay

Sati coverage

SIR — This refers to Darryl D. Monte's Mediatrends column (*BW* February 28-March 13). Dismissing petitions in favour of widow-burning, the man who outlawed sati — Lord Bentinck — was supposed to have summed up "no doubt it is an ancient Hindu custom, but then so is the British custom of hanging people who kill and abet killing." Some 150 years after the argument about whether sati was murder or not was settled, we have the Indian press debating how, when and whether to report the crime.

A less trivialised press would have started by refusing to use the obscurantist expression sati and calling the obscenity by its proper name. Nothing would have been gained immediately. But it is the cumulative pressure of such rejection and contempt that drives the emotions of an 'emotive atrocity' underground. A civilised society doesn't consist of good men. It is made up of good men, sane men and bad men, the last category looking foolish with badness. It is, however, too much to expect such a professional response from the Indian fourth estate. For, its current heroes are busy creating news rather than reporting it a: very exclusive preoccupation.

T. Datta
Pune

A better success story

SIR — I read the article 'A public sector success story' (*BW* February 15-28), in which the Bangalore-based Karnataka Antibiotics & Pharmaceuticals Ltd. (KAPL) was categorised as the best among the public sector drug units. This assessment was based upon the company's performance in 1985-86. However, you have not considered the performance of the Lucknow-based Uttar Pradesh Drugs & Pharmaceuticals Co. Ltd. (UPDPL).

Like KAPL, UPDPL is a subsidiary of Indian Drugs & Pharmaceuticals Ltd. (IDPL), a government of India undertaking in which 51% of the shares are held by IDPL and 49% by the Pradeshiya Industrial and Investment Corporation of UP Ltd. (PICUP), a UP state government financial institution.

During 1985-86 UPDPL's turnover and profits were Rs. 12.08 crores and Rs. 88.90 lakhs respectively as compared to KAPL's Rs. 6.34 crores and Rs. 54.49 lakhs. On both counts, UPDPL has done better.

A.K. Agarwal
Manager (finance)
Uttar Pradesh Drugs &
Pharmaceuticals Ltd.

Wrong caption

SIR — In your Technology article 'New frontiers of image technology' (*BW* February 15-28, pg. 55) you have published a photograph of the DSA (Digital subtraction angiography) unit of our hospital. It was inadvertently captioned CAT Scan at Hinduja Hospital. Incidentally, the DSA unit at the HNH is the only one of its kind in Bombay.

Mrs. R. Das
P.D. Hinduja National
Hospital, Bombay

The error is regretted — Editor

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New chief for ITI

The commodious office on the fifth floor of ITI's (Indian Telephone Industries Ltd.) corporate office in Bangalore has, at long last, a new occupant. He is U.D.N. Rao (55), chairman and managing director (CMD). Rao succeeds K.P.P. Nambiar who resigned at the end of last year following his appointment as secretary, department of electronics. ITI remained headless until Rao assumed charge on 10th February. In the interregnum, ITI's executive director (planning and production) was made acting chief executive but was considered too young and inexperienced to be confirmed in that position.

Rao himself is no stranger to ITI. An electrical engineering graduate of Bangalore University with a postgraduate diploma in electrical communication from the Indian Institute of Science, Rao served ITI between 1965 and 1973 as deputy chief of R&D and later as head of the transmission division. Prior to his appointment as CMD, Rao was with the department of telecommunications as member, telecom operations.

When *BusinessWorld* spoke to Rao — basically a technical person — he was familiarising himself with ITI's widespread operations, once again as an insider. "My priorities are clear," says Rao. "They are to upgrade the quality of ITI products, speed up deliveries and cut down on costs." Erratic supply and high costs are two charges levelled against ITI by users, and not without reason either. Rao's major task will be to attune ITI to fast-changing telecommunication technology where the life-span of a new product line may not be more than two to three years.

Newer technologies. "All these years ITI has been turning out the same products, what one may call stabilised items, over and over again. But now things are changing and the newer technologies are of a kind that ITI has not been accustomed to, though I should say our employees are picking up fast," he says. On the technology for the second electronic switching equipment unit (ESS-II) proposed at Bangalore, Rao says it will be from C-DOT. "We will think of alternatives only if some production problems surface," he adds. Rao would not be drawn into a discussion on when this proect would get going. But he maintains hat ITI has the resources.

Rao is happy that the controversial proposal to split ITI into three units has been buried. He also favours the idea of having more working directors — drawn from within ITI — on the board of the company but is not sure when this will come about. This proposal was initiated by his predecessor Nambiar. The Union government approved it and even passed orders in late 1986. But nothing has come of it so far.

Touching upon the progress at the electronic digital switching equipment unit (ESS-I, Alcatel collaboration) at Mankapur — a backward area in Uttar Pradesh — Rao says production this year (1987-88) would be of the order of two lakh lines and double to four lakh lines next year. Licensed capacity of five lakh lines would be reached by March 1990.

Rao: clear priorities

Responding to the criticism on the high cost per line at Mankapur, Rao says it may be valid but costs "will come down with absorption of technology."

On new products from ITI, Rao says the company will be coming out, within the next two months, with pushbutton telephones manufactured in collaboration with FACE of Italy. In addition, ITI will start making electronic telephones of its own design — the instrument will actually be a modification of its 677 model. Rao says there has been good progress on the project to make low-cost micro earth stations — to be utilised with master earth stations at NICNET — in financial and technical collaboration with Equatorial Pacific International, a California-based firm. "Production will commence within the next three months and in two years the whole project will be complete. We will be turning out 500 units per annum initially and this will probably be raised to 1,000. The technology choice has been the right one and these micro earth stations (without voice transmission facility), to be priced at around Rs.3 lakhs each, will be a boon to business networks in the country," says Rao.

Big venture. ITI is also gearing up to venture into digital multiplexing equipment in a big way. "We have already launched 2 Mbt per second multiplexers and are about to launch 8 and 34 Mbt per second multiplexers. Soon we will be moving into 140 Mbt per second multiplexers, developed in association with the Telecom Research Centre (TRC)."

ITI has also started production of the 512-port ILT (integrated local-cum-transit exchange) and the smaller ESAX-200 (electronic small automatic exchange) for use in the C-DOT's rural network schemes. Besides, the company plans to turn out 400 RAX (rural automatic exchange of C-DOT design) in 1988-89 for the RAX-a-day programme.

One other ITI development — actually Rao's idea — that one may well look forward to is a code-type push-button public telephone on which STD calls can be made. It would work somewhat like this: the user will be assigned a code on depositing a certain specified amount with the C-DOT. When he wants to make an STD call he first dials the code, waits for its validity (actually his credit-worthiness at that point of time) to be checked. Once okayed, he dials the number he wants. The call charge is debited to his account automatically. According to Rao, ITI will start manufacturing these telephones within a year.

In sum, Rao has taken over at a time when the gargantuan ITI (1986-87 turnover: Rs.440.7 crores) is passing through a phase of transition. Some of his peers, who respect his technical expertise, consider him the right choice and hope that he will stay on till he reaches the age of superannuation. That surely should be some comfort for Rao.

N. RAGHAVAN IN BANGALORE

Silicon scientist gets kudos

For R.V.Ramani (65), adviser to Metkem Silicon Ltd. (MSL), it was perhaps the payoff for years of effort. But quite characteristically, the announcement of the Padma Shri for his contribution to science and technology did not overly excite him. As he says quite simply, "I'm not terribly excited about it; it's just one of those things." But quite aware of the work put in by so many in the endeavour to produce polysilicon indigenously (see *BW*, August 17-30, 1987, p.20-22), he graciously adds, "I'm of course thankful that some recognition is being given; it is not so much an award for me personally as it is for the work put in by our group of people towards the advancement of state-of-the-art technology in the country."

Number of firsts. This group of people in the company (a wholly-owned subsidiary of the Madras-based Mettur Chemical & Industrial Corporation Ltd. (MCIC); prior to 1985, it was a division) has been successful in other areas too. According to Ramani, MCIC has the distinction of having introduced a number of firsts in the country. Among them: caustic soda (1941), mercury cell plant (1950), aluminium conductors (1949), hydrosulphate (1956), chloromethane (1964-65) and a semi-pilot installation of a membrane cell plant (1984).

There have been low points too. For instance, when the machinery was ordered for the first mercury cell plant, the Liaqat Ali Khan budget upset all calculations and the plant remained in suspended animation for over two years. But for Ramani this was just one stage in his learning process.

Born in Tanjore in 1923, he completed his graduation (honours) in physics in 1942 and a research degree (as the masters was then called) in electronics in 1945, both from Madras University. He was also fortunate to get a lot of guidance from the late C.V. Raman, who was then with the Indian Institute of Science, Bangalore. Recalls Ramani, "He was a hard taskmaster and would get easily irritated if one couldn't keep pace with him which quite obviously, was often." Ramani also had occasion to interact with the late Homi Bhabha. All this exposure instilled in the young Ramani a keen appreciation of science and technology and also the importance of developing it indigenously.

After his training abroad in chemical engineering at Columbia University in the US, Ramani came back to India and was managing director of Travancore Cochin Chemicals Ltd. (TCC), a company of the Mettur group started by the famous Seshasayee brothers. (Now it has been renamed as Travancore Chemical & Manufacturing Co. Ltd.). In 1960, after a stint of 10 years at TCC, Ramani joined MCIC as managing director where he was for 23 years. Since April 1985 (after the Madras-based Chemplast group took over MCIC), he has been exclusively in charge of the silicon operations.

High point. "The development of indigenous polysilicon for the first time was certainly the high point; it was a major breakthrough," remarks Ramani. But this got embroiled in the 'Hemlock Controversy' till the abrogation of the agreement with Hemlock Inc. of the US last year. Now the problems are more mundane. And they are being solved.

One of them was the inadequate functioning of downstream units —the converters of polysilicon into, for example, wafers which can be used by the photovoltaic system manufacturers or the electronics industry. "But we ourselves have more than doubled our wafer capacity and can now convert 14 tonnes of polysilicon of the total capacity of 25 tpa," says Ramani. In addition, two new technologies to improve operational efficiency have also been introduced; in fact, one such technology makes India only the fourth country to utilise it. These steps will have their impact a few months from now.

For the year ended 31st December 1987, "we did not make a profit since we were working between 50%-60% of capacity against a break-even of about 75%," explains Ramani. But he expects MSL to make a profit in 1988 because de-

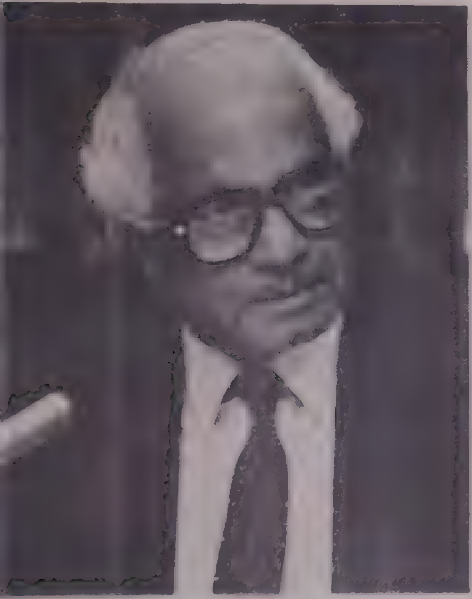
Ramani: "just one of those things"

nand from the electronics industry has picked up. But he does not project too rosy a picture of future polysilicon denand in India. "My estimate is that by 1992-93 it will grow to 40 tpa after which t will taper off." The reason: a new development — amorphous silicon — which is cheaper though far less efficient and which has direct applications in the photo-voltaic industry, the major consumer in India.

But MSL is not exactly waiting for hings to happen. Ramani hints at plans o do some developmental work on amorphous silicon. "We want to be in the frontline of silicon technology," asserts Ramani. The award is ample proof that MSL so far has.

CHANDU NAIR IN MADRAS

Uco Bank's mixed showing



henoi: a job well done

While the banking sector seems to be going gaga over credit cards and mutual funds, Uco Bank (formerly United Commercial Bank) is sticking to the knitting. But going by the bottomline, he business of borrowing and lending is not doing any too well. Profits in 1987 at Rs.5.21 crores were only marginally higher than,the Rs.5.07 crores in 1986.

But making money is not the prime objective, explains Uco Bank chairman nd managing director K. Manmohan henoi (55). "If the government wants me to earn profits, I can increase my earning capacity several times," he says. "There are many ways to do that. But the bank must live up to its commitments to the economy."

Uco Bank has been doing well by other yardsticks. Deposits in 1987 grew by Rs.1,234 crores — an increase of 29.2%. Domestic deposits jumped by 23%, compared to the 14.5% growth rate achieved by the banking system as a whole. Advances showed a similar surge — from Rs.1,979 crores to Rs.2,584 crores.

Veil of secrecy. But the poor profitability does raise some questions. Thanks to the wide spread between the borrowing rate and the lending rate, banks cannot but make some profit. The losses actually arise from bad and sticky advances that have to be written off each year. The quantum of such losses can be concealed because of the stipulation that banks need not disclose their bad debts. Lifting the veil of secrecy might well reveal that the losses arise more from insufficient screening of loan applicants than any compulsions of national interest.

Uco Bank has drawn flak on two other counts too. Its credit-deposit ratio is barely 53% and the bank has opened only nine branches in 1987. However, its priority sector lending was 42.22%, a shade above the Reserve Bank norm of 40%. Shenoi, for one, thinks that on the whole it is a job well done.

DEBASHIS BASU IN CALCUTTA

MARG goes east

The Bombay-based Marketing & Research Group (MARG) is going places. This month, MARG unfurled its flag in Calcutta by opening a full-fledged 12-strong branch office. "Market research (MR) awareness in the eastern region has been going up quite rapidly and the MR business segment here is expanding at the rate of 30% per annum. There is plenty of scope for more players," says Ashok Das (33), MARG's newly-appointed associate director and manager in Calcutta.

An engineer (IIT, Kharagpur)-cum MBA (IIM-C) who has worked at the head office of Chloride India for six years, Das should know what he is talking about. For the past four years, he has had his pulse on the MR scene in eastern India as a project director with Indian Market Research Bureau (IMRB). Reasons Das: "With increasing competition all around, and the successful entry of small and medium-sized business houses in Calcutta (like Sonodyne or Emami) in the consumer field, the need for MR has gone up."

Das: client-hunting in right earnest

Big spenders. Traditionally, only the relatively larger companies in Calcutta with consumer-oriented product lines have been big MR spenders. Amongst major MR users in eastern India are ITC, IEL (for paints), Shaw Wallace, Reckitt & Colman, Ananda Bazar Patrika Ltd. and a couple of paint manufacturers. Surprisingly, high profile companies like Bata India or Dabur are not known to have commissioned a great deal of MR work.

According to Das, MARG's cutting edge lies in its expertise in both qualitative and quantitative MR. The former, involving "in-depth interviews and group discussions with fewer people," is handled by a separate division within MARG called QUEST.

An optimistic Das has begun client-hunting in right earnest: on the inaugural day itself, he called on two of them. With the slight advantage of not having a fourth competitor breathing down his neck (aside from IMRB,Calcutta numbers MODE amongst its MR concerns) he expects that MARG can bag business worth Rs.20 lakhs in its first year of operations in Calcutta, where the MR market is currently about Rs.1.5 crores per annum.

And with the pie growing by 30% each year, this is probably the precursor to even more hectic MR activity on the eastern flank.

SUJOY GUPTA IN CALCUTTA

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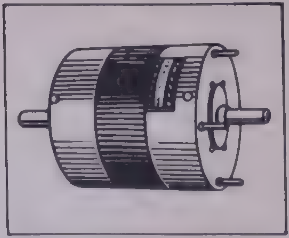

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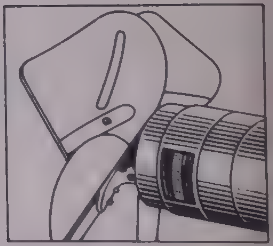

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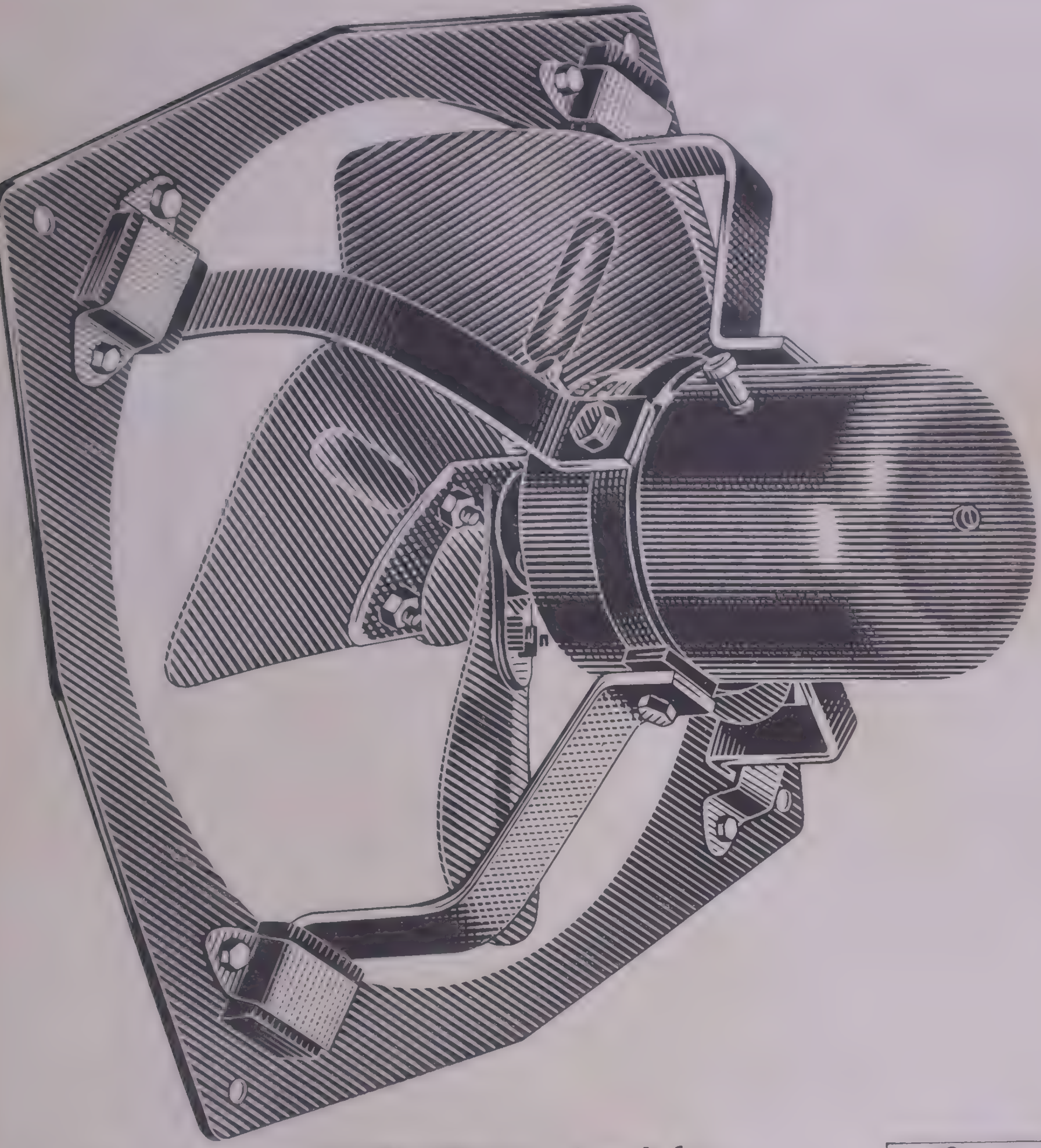

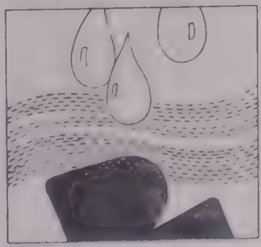

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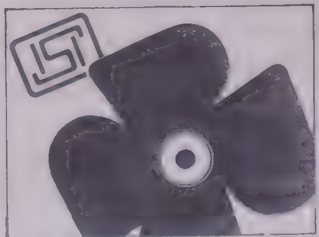

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BusinessWorld
March 28—April 10, 1988

The buck never stops anywhere

RAHUL SINGH

One of the murkiest aspects of our political life is the role of money — more specifically hard, under-the-table cash — in it. Everyone, even the illiterate villager, knows that it costs a great deal of money to be elected. The higher the office, the more the funds needed.

Biju Patnaik, a former chief minister of Orissa, once cynically declared that it required such and such amount (one forgets the exact figure) to get elected as an MLA, that it would entail so many lakhs to become an MP or a chief minister, and quite a few crores to be made the prime minister. Needless to say, the various figures mentioned by him were way above the relatively small and unrealistic amounts laid down as legally permissible by the Election Commission.

The ruling party and the opposition know that few politicians have sufficient resources of their own, unless they are industrialists or former princes, to stand for election. Most of the funds come from elsewhere and are usually unaccounted.

Indeed, black money has fuelled the electoral process to such an extent in recent years that it has spun a web of interlocking graft that has spread to almost every aspect of our lives. It has been eating into the foundations of our democratic system of government, threatening our freedom as never before. If a reminder was needed of this peril, it has been forcefully provided in recent days by the former President, Giani Zail Singh.

The Giani is, of course, a product of the kind of opportunistic and unprincipled politics that became the norm under the latter part of Indira Gandhi's prime ministership. As Congress(I) chief minister of Punjab, he outdid the Akalis in promoting religious fundamentalism. It was he who built up the then obscure preacher, Jarnail Singh Bhindranwale, to break the Akalis. The ploy succeeded, though we now know at what tragic cost to the entire nation.

DEVIOUS STRATEGY

Indira Gandhi and Sanjay — even Rajiv, who glowingly called Bhindranwale a religious leader — were enthusiastic accomplices in the devious strategy. The Giani was also quite blatant in using money power for political purposes. He believed that everybody could be bought — the police, civil servants, religious leaders, even journalists — and went about doing exactly that in single-minded fashion. Other politicians perfected the art as well, notably Bhajan Lal in neighbouring Haryana, but in Punjab it had the most malevolent results.

From Punjab, Zail Singh moved to the Centre where he was given probably the second most crucial portfolio — home. When the so-called Sikh problem started to assume alarming proportions, a desperate Indira Gandhi felt that the best way to try and pacify the restless community was to elevate a Sikh to the highest office of the land. Who else, but the wily Giani? It was a grievous error, yet very much part of the calculating, cynical politics that had become the norm by then.

For such a man, who has enjoyed being in the limelight, retirement from the political scene did not come easily. What is more, just when his term was coming to an end, there was a murky situation of the type which he revelled in: the virtual dismissals of heavyweights V.P. Singh and Arun Nehru, amidst talk of kickbacks to the ruling party in arms deals.

Never mind that many of those who are now so vociferously opposed to Rajiv Gandhi had not been very kindly disposed to Zail Singh earlier. Here was a chance for the dissidents to topple the prime minister and for the Giani to remain where he had always wanted to be — in the limelight. Politics, especially Indian politics, does indeed make for strange bedfellows.

As we know, it did not quite work out that way, but it was a very close thing. The person most disappointed by the turn of events was Zail Singh and he made no bones about it. For the past few weeks he has been meeting several journalists, leading them on with promises of a scoop. Finally, when he decided to start unburdening himself, he did so in his characteristically sly manner: in an otherwise nondescript interview to *Sunday* magazine — so seemingly innocuous that the editor did not bother to make it the lead story — he mentioned, so very casually, that his friends and allies were "ready to spend Rs.30 crores to Rs.40 crores for me."

Now, as most informed people are aware, a presidential election is not a direct one. Only MPS and MLAS vote. The clear implication was that such a sum of money would be used to buy over these MPS and MLAS, when necessary. The cunning Giani has also subsequently hinted that at least some of those who made this offer are still in the ruling party, including a cabinet minister.

Another interview in *Onlooker* discloses that Chandra Swami, the high-flying godman currently being investigated by the CBI, was ready with pots of money and wanted Zail Singh to instal Narasimha Rao, one of the Swami's devotees, in the prime minister's chair. More such "revelations" are bound to take place in the days to come.

The Congress(I) has reacted with great indignation, saying that an inquiry (what else?) will be held in the matter. The opposition too, has behaved as if it is deeply shocked at the disclosure (if indeed it is a disclosure). Both the government and the opposition, as well as several newspaper commentators, have demanded to know the names of the culprits. The column of one such high-profile editor, whose fondness for the prime minister and his coterie is well known, is headlined, "Who was willing to spend Rs.40 crores for Zail Singh?"

SAD PASS

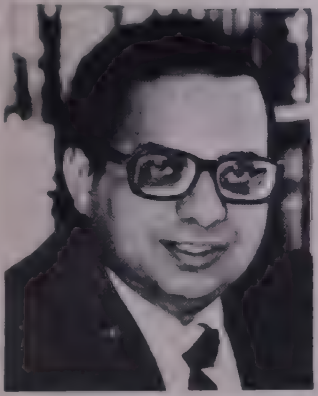
Strange isn't it that everybody seems concerned about *who* was ready to disburse this admittedly large sum of money and not *why*? The righteous indignation is directed not towards how we have come to such a sad pass, whereby money is used so openly to buy political allegiances, but at those persons exploiting an already corrupted system.

This is the malaise that has somehow overtaken us. We have become obsessed with personalities and neglected the system of government that is being undermined. Does it really matter whether Arun Nehru or Arjun Singh or Narasimha Rao — a few of the names being bandied about — made the offer to the Giani to oppose the Congress(I)'s candidate for the presidential election? Isn't it more important that we discover the reasons *how* such a situation has taken place?

Zail Singh must be having a huge, hearty laugh at the discomfiture that he has caused to the prime minister and his cabinet colleagues, past and present. That is probably his form of *badla* — revenge — for the humiliations he suffered at the hands of Rajiv Gandhi. But in the process the main injury has been done not to any individual, but to our system of government which has been belittled and held up to ridicule.

Industry left high and dry

H.P. RANINA



It has been an unkind cut. While the Union budget has a lot of goodies for the farm sector, the star performer in an otherwise bleak year — industry — has been left high and dry. The rural sector has it all: increased outlays for agriculture and irrigation; cheaper crop loans, fertilisers and other inputs; employment generation schemes and a host of other props. Industry, which recorded a rate of growth of 10.2% — the highest during the past decade — has to be content with crumbs.

High industrial growth has been facilitated by the robust performance of the infrastructure sectors during 1987-88 (April-December). Coal production increased by 10.2%, while the railways' revenue-earning goods traffic went up by 5.4%. Power generation increased by 7.6% despite the sharp fall in hydel generation on account of the drought.

The impressive increase in thermal generation is attributable to the higher plant load factor of 55% as well as the creation of additional generating capacity. Industry, for a change, has not been totally starved of power.

But there is nothing in the Finance Bill, 1988, that will spur growth save the sops for exports. The abolition of s.115 J of the Income Tax Act, 1961, which anyway yields negligible revenue, was warranted. Dynamic companies would thus have been rewarded for falling in line with the government's policy and going in for capital intensive investments. But N.D. Tiwari felt otherwise.

The reintroduction of investment allowance would also have been a step in the right direction. But it is unfortunate that the government has chosen to disregard the genuine grievances of the private sector which has been assigned a major role in the Seventh Plan.

The solitary silver lining to the Finance Bill concerns the granting of exemption to exporters and manufacturers exporting goods through export houses. Under the existing provisions of s.10A of the Act, a five-year tax holiday is allowed to industrial undertakings manufacturing or producing articles or things in a free trade zone (FTZ) subject to certain conditions. These benefits are not available to 100% export-oriented units.

DEDUCTION ALLOWED

Under the existing provisions of s.80HHC of the Income Tax Act, taxpayers exporting goods or merchandise are allowed a deduction of an amount equal to 4% of the net foreign exchange realisation and 50% of the balance profit. It is now proposed that the deduction will be the whole of the income derived from the export of such goods or merchandise.

The existing provisions of this section apply only to a taxpayer who exports goods or merchandise. The benefit of the deduction under s.80HHC is not available to supporting manufacturers who export goods through export or trading houses. To further boost exports, it is proposed to extend the export-linked benefit available under s.80HHC to supporting manufacturers also.

In computing the income chargeable to tax in the case of a supporting manufacturer, a deduction of the whole of the income earned on the sale of goods or merchandise to the export/trading house will be allowed if a certificate in a prescribed form has been issued by an export/trading house, certifying that in respect of the amount of export turnover specified therein, the deduction under s.80HHC is to be allowed to the supporting manufacturer. Consequently, the amount of deduction available to the export/trading house will be proportionately reduced.

The deduction will not be allowed to the supporting manufacturer unless he furnishes in the prescribed form along with the return of income:

☐ A report of an accountant certifying that the deduction has been correctly claimed on the basis of the income of the supporting manufacturer in respect of his sale of goods or merchandise to the export/trading house; and

☐ A certificate from the export/trading house certifying that in respect of the export turnover mentioned in the certificate, the export/trading house has itself not claimed deduction under the provisions of this section.

For the purposes of this section, export/trading house will mean a person holding an export house certificate or a trading house certificate issued by the Chief Controller of Imports and Exports.

Supporting manufacturer will mean a person being an Indian company or a person (other than a company) resident in India, manufacturing goods or merchandise and selling such goods and merchandise to an export/trading house for the purposes of export.

SPECIAL PROVISION

A new s.10B is sought to be inserted in the Income Tax Act relating to a special provision in respect of income from a 100% export-oriented undertaking. Sub-section (1) of s.10B seeks to provide that any profits and gains derived by an assessee from a 100% export-oriented undertaking to which the section applies, will not be included in the total income of the assessee.

Sub-section (2) of s.10B provides that the section will apply to a 100% export-oriented undertaking which fulfils certain conditions — *viz.*, that it manufactures or produces any article or thing during the previous year; that it has not been formed by the splitting up, or the reconstruction of, a business already in existence; and that it is not formed by the transfer to a new business of machinery or plant previously used for any purpose.

For the purpose of the section, reconditioned imported machinery or plant will be regarded as new. Further, where the total value of the machinery or plant transferred to the new business does not exceed 20% of the total value of the machinery or plant used in that business, the condition mentioned in clause (ii) of sub-section (2) of s.10B will be deemed to have been complied with.

Sub-section (3) of s.10B seeks to provide that the benefit of the section will be available to the assessee in respect of any five consecutive assessment years falling within a period of eight years beginning with the initial assessment year in which the undertaking begins to manufacture or produce articles or things. The period of five consecutive assessment years will be as specified by the assessee as his option, subject to the condition that it will not in any case cover any period after the expiry of the said eight-year period.

Exports apart, it has to be stated that the finance minister who is known for his pragmatic policies, has missed a golden opportunity to spur industry to even better performance. It is an omission which could be regretted later.

BusinessWorld
March 28—April 10, 1988

Survivor with a self-writ script

He likes working hard, loves advertising and adores roses. Otherwise, Ravi Gupta (50) is a no-nonsense ad man who stands out as a survivor in the dog-eat-dog world of advertising. Chief executive of Trikaya (expected billings in 1988: Rs. 15 crores), the ex-Thums Up and current Aristocrat and Arvind denim accounts handling advertising agency, Gupta disappoints if one is looking for glamour and glib clichés. But then, he has shown that parties, flashy mannerisms and verbosity are not necessary conditions for success in advertising. "Just get down to the business of creating effective campaigns. You will be noticed anyway if the job is well done," he says.

Gupta: quality conscious

Perhaps that's the motive spirit behind Trikaya, which was started 11 years back by Gupta and is now one of the best known agencies in the country. It is certainly not the largest and may never be. But then, as Gupta says: "I don't crave to be the head of the biggest outfit in this profession."

What does he crave for, then? "To create good campaigns. No one can deny that Trikaya has one of the best creative teams around." Gupta cites the latest CAG awards as proof: "Trikaya walked away with awards in 11 categories — with the other agencies together winning the remaining seven."

That's quite a feather in his cap and at an apt time too, for Gupta has just turned 50. Born in 1938 in Bombay, he has always remained "essentially a Bombayite." After his parents migrated to Bombay from a small town near Gurgaon in Haryana in 1918, all links with his native roots have been severed. "Now, of course, Maruti has catapulted Gurgaon onto the industrial map of India," quips Gupta.

His early education was a succession of Hindi medium schools. And the upbringing was strictly traditional. "My parents were conservative north Indians at heart and tried to instil the same culture in me," reminisces Gupta. Perhaps that explains his 'unglamorous' image as an ad man.

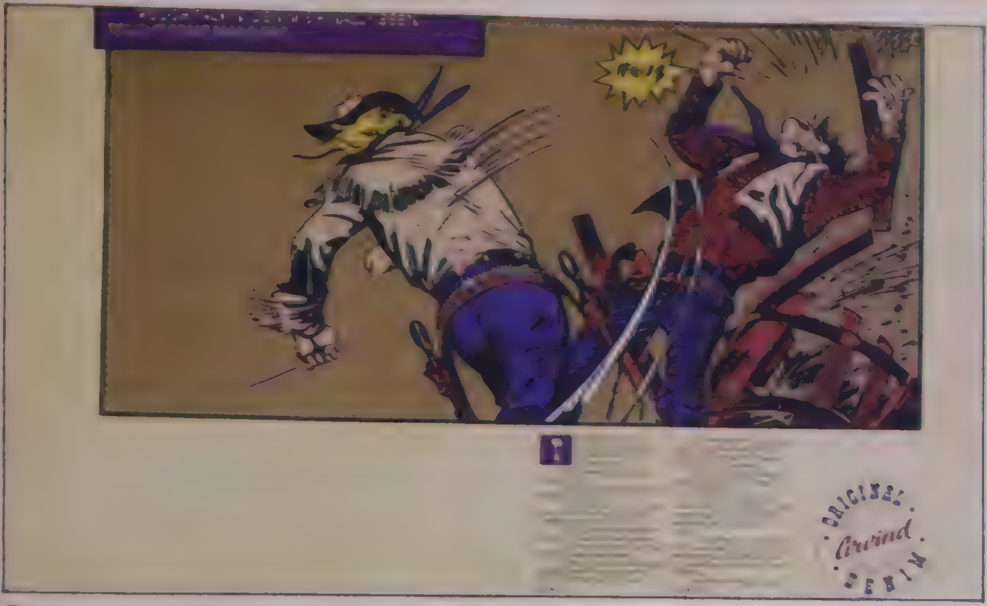
Schooling over, Gupta joined St. Xavier's College. He graduated with honours in geology and went to the UK for the inevitable 'higher studies.' In 1958, he set off for Cardiff, the institution: the University of Wales. "I wanted to be a mining engineer then," says Gupta. But as future events have proved, it was a different rocky trail he was destined for.

Dreams and romance. His stint in the UK was, however, full of mining engineering dreams and romance. "I started courting my wife at St. Xavier's and carried on with the job in UK." His better-half-to-be was in London doing a course in advanced psychology. Spending weekends together meant bridging the distance between Cardiff and London, a bother," says Gupta. He found a simple solution: he got married. Studies continued in the meanwhile and soon Gupta came back to India as a qualified mining engineer.

His first job was in a Dhanbad mine as manager. "In those days, the coal mines were not nationalised. But the government had imposed so many regulations that it was almost impossible to dig out coal without breaking some law," says Gupta. And, as mine manager, Gupta had to shoulder the responsibility of breaking the laws. Gupta jibbed at that. "Although I sympathised with the mine owners, I couldn't digest the idea of breaking laws — however stupid they were." Thus Ravi Gupta bid adieu to mining engineering. A wise move perhaps. Had he stayed on, he might have been one of the many unhappy personnel at the public sector white elephant, Coal India Ltd.

In six months, Gupta was back in Bombay. "I saw big potential in advertising; there was a boom in the offing and I decided to be a part of it," says Gupta. He admits, however, that the ad boom he foresaw came 15 years later than he had anticipated. His first ad job was at Ulka, as a client servicing trainee. The boss then, as now, in Ulka was Bal Mundkur. "Mundkur was a little uncomfortable initially because of the low salary he was giving me. I had chucked a Rs.2,000-a-month job with attendant perks and was willing to work for Rs.200. But I knew I would succeed and was determined to," recollects Gupta.

Of course, the lower salary didn't make him penurious. Gupta had a fall-back cushion — a flourishing family business. Within a month of joining Ulka, he started working after office hours to learn the ropes of media planning. "Although I was essentially a client ser-



The Arvind denim campaign: a knock-out?

vicing man, media planning always fascinated me," says Gupta. Even now, in Trikaya, 50% of his working time is spent on planning. However, he no longer involves himself with the nitty-gritty of media planning.

The next agency he switched over to was Inter-Publicity, two years after he joined Ulka. And then, two more years followed at Shilpi. Gupta finally joined MCM, and stayed there for eight years.

By 1976, he was ready to strike out on his own. And Trikaya was promoted in 1977. "The first two years were very bad. Trikaya did not have a single major account for two years. It was a hand-to-mouth existence, with business confined to small clients," says Gupta. Most of the media — big newspapers — was hostile to Gupta and wrote him off. So did his ad-brethren.

No looking back. But the first big break came in the form of Thums Up. Accounts-wise, Trikaya has never looked back since. "I feel particularly proud because most of Trikaya's campaigns launched new products. And save one, every launch campaign has been successful," claims Gupta. That sure is a track-record to be proud of. According to him, no other agency can lay claim to so many successful product launches — that's the typical ad man speaking!

While Gupta takes pride in all of Trikaya's work (naturally), he ranks Thums Up, Gold Spot, Aristocrat luggage and Baygon spray as the most memorable campaigns. "Particularly satisfying was the Baygon spray campaign. From an annual rate of 9%, the sales growth of the product jumped to 23%. Of course, Aristocrat luggage and the *coolie* in the campaign is a part of ad legend now.

But despite successful campaigns, both Ravi Gupta and Trikaya had yet to be firmly established. Although brilliant in creativity, Trikaya was perhaps not the best financially managed agency in the early eighties. The fallout: in 1984, Trikaya was on the verge of bankruptcy. It was as good as written off till Sanjay Lalbhai — the Ahmedabad-based industrialist — came to the rescue. For Trikaya, that was a controversial and bad year, with media allegations that Sanjay Lalbhai had quietly taken over the agency. Gupta has a lot to say about it: "I needed Rs.40 lakhs desperately and nobody, banks included, was willing to bail me out. Sanjay Lalbhai did. And I admit it. In fact, I will go so far as to say that what I am today and as well as Trikaya's bounce-back, is all courtesy Sanjay." But Gupta emphatically denies that Sanjay Lalbhai has any permanent stake in Trikaya.

In any case, the trauma is over and Gupta hopes that it will not be repeated. "Trikaya is a much better managed agency now with bright young people in charge of vital divisions," says Gupta. He is so confident of the talent of these yuppies that in a few years, he hopes to see one of them as chief executive of Trikaya.

The Aristocrat *coolie*: a legend

Bonus aaya shubh laabh laaya.
Aristocrat
BONUS

Does it mean that he has faith in the yuppie generation? Surprisingly, no. "Youth is obsessed with the fast buck syndrome. Nobody wants to work hard, but everybody wants to make lots of money," he says. According to him, this rot can't go on for ever. Meanwhile, here is a piece of advice for ambitious youngsters: "Hardly anybody in any profession is willing to put in that extra effort for success. You do it, and success is guaranteed. Surprising, but there really isn't any competition in the career race." Surprising indeed.

Avid horticulturist. To take a break from work, Gupta goes back to nature at least two weekends a month. He owns a six-acre estate 15 km from Lonavala, *sans* electricity and other amenities of modern living. "I try to be a gentleman farmer there," he says. In fact, he is an avid horticulturist and grows many varieties of flowers. "Dutch tulips and roses — these two are the best. When there is more time, I will try and create a new variety of rose. That will be an achievement I will be most proud of," says Gupta wistfully.

Meanwhile, there is the agency to look after. What about Trikaya's future? "It is quite clear. It is not the aim of Trikaya to be the largest agency." Gupta can't resist taking a potshot at HTA and Lintas, the agencies which are embroiled in a 'who is No.1' war. "Although an industry, advertising is still a profession. Have you heard chartered accountants or lawyers shouting that they are the largest or No.1?" Mike Khanna and Alyque Padamsee, please note.

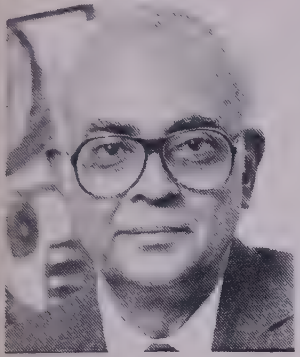
Gupta has other plans for Trikaya. "Trikaya will be in the business of communications. We already have Profile, the public relations wing. There is Upfront, the merchandising wing. Another wing specialising in promotions is opening shortly. In fact, every new year will see at least one new wing." Trikaya also has a collaboration with Gray Advertising of the US, the 10th largest agency in the world.

What about retirement? "No question about it. When I am 60 and asked my profession, I will say advertising. The same at 70..." says Gupta. He does love advertising but that is not his hallmark. Ravi Gupta has been written off twice, only to bounce back with more vigour. He is the survivor.

Sutanu Guru

The industry-government hiatus

S.K. BHATTACHARYYA



It is amazing, but true. In management education, the process of dealing or interacting with government — as distinct from understanding and learning about the regulatory framework and governmental policy environment — is never taught as a formal discipline. Yet, businessmen or managers who deal with government in its multi-faceted form — beginning with simple administrative agencies and going right up to the ministerial level — have no frame of reference or understanding of the process variables on both sides.

Of course, senior civil servants or policy administrators do occasionally give lectures at institutes of management, business schools or chambers of commerce and they utilise these forums to pontificate on desired business behaviour and performance. Alternatively, business leaders and professionals also sometimes share their experience and understanding of the business world with government training institutions or gatherings of civil servants.

Even in the leading business schools of the West, while many facets of the interaction requirements of business, industry and management are taught as formal disciplines, one is extremely hard put to identify courses which try to explore and understand the process involved, or develop a framework for managing this interface effectively based on an understanding of their objectives and mutuality of purpose.

There are several reasons for this sad neglect of what is perhaps the most important and critical area of success and effectiveness, particularly in developing countries like India, where the government has an overwhelming presence in the affairs of business. One reason is that there are very few persons among the faculty of business schools who have served in senior positions in the government and have the required perspective of the governmental decision-making process (most of them are, in fact, Ph.Ds with doctoral dissertations on "academic" topics that, more often than not, have no real practical value either to business or government). More importantly, this indifference — often bordering on benign neglect — has arisen because of the mental distance which exists between these two worlds, that of business and government.

MUTUALITY OF INTERESTS

This is unfortunate, for there is strong evidence that where the understanding of the process is deep and marked by a hard-headed recognition of the mutuality of interest, it has invariably led to governmental and business achievements which are collaborative and coordinated in content (without compromising on their distinctive objectives). The liberalisation of the process of foreign exchange allocation for business and the streamlining of procedures for industrial raw material and technology imports are excellent cases in point. In Japan, business and government operate on the basis of sympathetic resonance — a fact evident from the western description of that nation as Japan Inc., a business in which the government is a partner and equity holder. What is missing in this description is that nobody so far has called Japanese industry a parallel business administrative service, subserving the objectives of the nation through industrial growth and prosperity, managerial effectiveness and self-regulation.

It is important to examine why the hostility between government and industry in the Indian context is so palpable and bitter. In most countries like India, where mass poverty is the overwhelming economic issue, policymakers in government, and particularly politicians, need a set-up within the overall political-economic framework which represents the antithesis of poverty. Such a set-up can be easily identified as the causative factor contributing to the problem of poverty. Unfair exploitation, possession of enormous wealth and the concentration of economic power are thus easily identifiable targets for politicians. (The fact that many of the latter have personal links with industrialists and businessmen on a *quid pro quo* is conveniently forgotten!)

On the other hand, for those who operate in the world of industry and business, political policy and economic problems which stem from pervasive poverty represent inconvenient bottlenecks in the unbridled pursuit of their production-marketing-profit optimisation goals. Management inadequacies are conveniently explained as being due to the failure of government policies and their administration, regardless of whether they relate to technology (restraints on import of modern technology), marketing (checks on prices and levels of market share), production (sympathetic attitudes towards labour and stipulation of environment-related norms) or finance (control over sources of working capital and long-term funds at high rates of interest). However, when controls are replaced by liberalised policies, the hollowness of such rationalisation is exposed!

MENTAL STEREOTYPES

That industry and government should coordinate their efforts towards the achievement of industrial growth is self-evident. Yet, the reality is that this situation is exactly the opposite in most cases. There is a need to examine in a hard-headed manner why the current mental hiatus arises. This will allow us in a later article to examine how one can distill from this understanding a frame of reference for collaboration and coordination in practical terms. There are several aspects of this relationship which have common manifestations and display the same symptoms on both sides. They are distrust, hostility, condescension (often bordering on contempt), ideological differences, and value judgements (leading to the development of mental stereotypes on both sides).

To begin with, managers have built up a perception of civil servants as people who are procedure-bound, incapable of looking at the larger picture and lacking pragmatism on matters relating to realities on the ground. Yet, when they come into actual contact with senior civil servants, they are amazed by the latter's penetrating and incisive intellect and their ability to constantly relate administrative-political realities to legal and process-related requirements. Businessmen tend to explain this away by saying that while there may be some civil servants at the senior level who possess some of these qualities, by and large their perceptions about government servants are valid.

On the other hand, civil servants, many of whom have distinguished academic records, consider business managers to be of low intellectual calibre and bereft of a sense of the country's economic-political imperatives. They believe that business managers are incapable of understanding the reference points of administrative policy and are driven solely by the motives of profit maximisation and personal gain. Yet, in their dealings with senior-level managers, they too come across people who are able to transcend the narrow confines of profit and personal gain. Just as businessmen are content to tar all civil servants with the same brush, the latter return this compliment by rationalising that, by and large, business managers are men with small minds doing repetitive tasks ("selling shoe polish and paints or manufacturing soaps and toothpaste") which do not require any cerebral-intellectual capabilities and, therefore, their contribution is not of any national significance.

WORK ETHIC

At the work ethic level, many managers see government officials as easy-going and lacking in drive and achievement-orientation. They are seen to be concerned with the trappings of power and authority, and seeking small-minded satisfaction in using this power for evoking subservience. It is, therefore, a surprise to many businessmen when they find senior civil servants often putting in 12-hour days without any breastbeating!

Civil servants, for their part, view managers as belonging to the high living, *la dolce vita* variety (expense account dinners, five-star opulence, conspicuous consumption and ostentatious behaviour often reflected in the craze for possessing "foreign" cars and guzzling premium scotch whisky). This mental caricature is somewhat off the mark, since there is considerable evidence that many senior managers are extremely conscientious in terms of the time, effort and energy they bring to their managerial tasks. Besides, compared to senior managers in other countries, the compensation and recognition Indian managers receive for their efforts is often very low indeed!

...many businessmen view government servants as excessively procedure bound and without any real understanding of the opportunity cost of time...

In another perception, many businessmen view government servants as excessively procedure-bound and without any real understanding of the opportunity cost of time — perhaps the most precious "commodity" in business. They find many civil servants to be highly pliable in the hands of their masters — the politicians and ministers. Businessmen see this relationship as the basic determinant of civil servants' decision-making framework formulated in the context of the latters' need for greater administrative power and upward mobility in the bureaucratic ladder. While there is evidence that this perception is not wholly invalid, it is also true that many dedicated and principled civil servants do bring to their management of the political-administrative boundary relationship, ideals and values which go far beyond personal gains and reward in terms of political patronage.

The civil servants' perception of businessmen, on the other hand, is that most of their actions are shorn of any abiding principles and values and, therefore, tend to be manipulative, extra-legal and extra-administrative in character. Expediency often seems to be the major reference point, rather than rationality of the decision-making framework. More importantly, civil servants feel that many managers are unable to see the broader developmental policy picture and are, therefore, unwilling to look at policy requirements in the overall socio-economic policy perspective.

While there is validity to this point of view too, in relation to some managers' actions, there are many senior managers and industrialists who have constantly taken a great deal of interest in policy planning and administration, and provided considerable help and advice to civil servants and ministers at the personal level. One cannot forget that the Bombay Plan, the blueprint for economic planning in this country, was drafted primarily by businessmen.

Many perceptive observers hold that the major difference between a manager and a civil servant can be looked at in temporal terms. It is said that the manager's orientation is often short term. The current poor state of technological development, industrial infrastructure and R&D is often attributed to the managerial anxiety to focus excessively on the short term and relate decision-making to current profit levels. On the other hand, it is held that civil servants are unable (or unwilling) to understand that in order to carry out some of the longer term objectives, industry has to be viable in the short term too, and the government's economic policies must reflect this recognition.

Civil servants hold that businessmen are not able to see the political-administrative equation which underlies most major industry and business-related decisions (e.g. clearance of large projects, foreign collaboration approvals, etc.) and policies. Businessmen, they feel, have no feel at all for the compulsions of the political process (and the parliamentary processes which need to be managed) in the administration of industry and business-related government policies.

FABIAN SOCIALISM

On the other side of the fence, many managers allege that instead of harnessing the industrial potential that exists within the country, civil servants have gone on the path of Fabian socialism and tried to interpose in the industrial development process a whole lot of state involvement and interventionist policies by setting up huge public enterprises which have turned out to be bottomless pits for precious national resources. They believe that this policy muddle has led to tremendous problems in terms of resource scarcity and inadequate investment allocation. They are particularly concerned that attempts to run huge high-technology enterprises through the bureaucratic mode have led to such monumental losses, that it is the profitable segment of industry in the private sector (and managers as individuals) which is bearing the brunt in terms of high taxation, limitation of freedom to set up new industries, and a crunch on investible resources. They believe that the politicians' anxiety to push public enterprises as a mode of industrial development is vigorously supported by civil servants, who see them as levers of power and patronage by indulging in backseat driving.

In conclusion, one must understand that there are parts of this relationship which, though interdependent, are separate. The first relates to economic and industrial policy formulation (under the overall umbrella of national economic development policies). The second relates to the process of policy administration and implementation by civil servants. The last relates to values and the style which characterise both the process of policy formulation and its implementation. What needs to be examined is whether the required collaboration and coordination between managers and civil servants for greater (and faster) industrial development can be brought about by a more insightful understanding of the commonality of objectives and reflecting it in the process of the business world's dealings with government and vice versa. Efforts must be made to identify and accept some of the major parameters of such collaborative process-based relationships, and reflect them as the basic values and styles characterising this process

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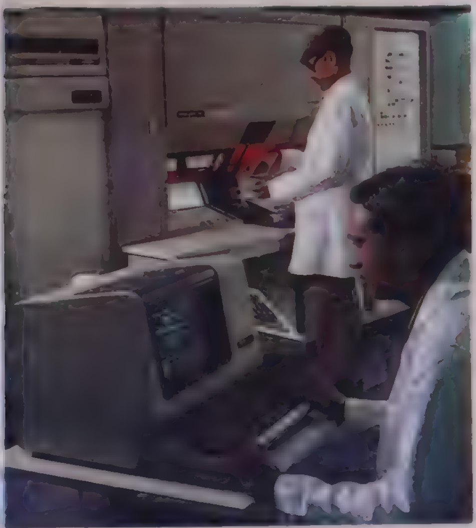

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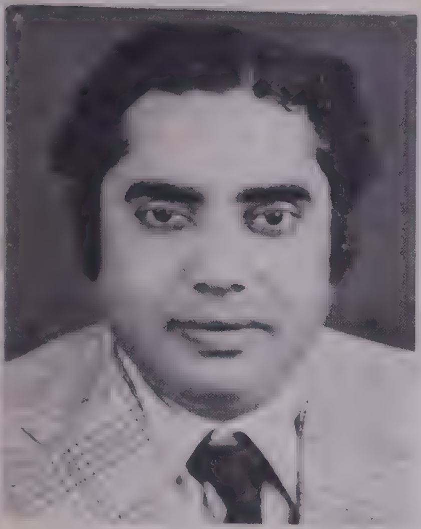


C. SARAT CHANDRAN

STC & MMTC need to limber up

STC and MMTC are India's trading giants. But the two have singularly failed to deliver the goods on the export front

The Minerals & Metals Trading Corporation (MMTC) has been around for 25 years now. The State Trading Corporation (STC) has an even longer history — it was set up in 1956. But these two public sector trading giants have singularly failed to deliver the goods on the export front. Despite the clout which they evidently can carry, they have succeeded neither in conceptualising India's role in the international marketplace nor in formulating a plan of action for the country's export community. If exports are on the rise today, it is no thanks to them.

In a recent survey of India, the prestigious *Economist* of London observed: "Exporting has never been a priority or natural talent in this continental country with its protected domestic market and while its rhetoric proclaims exports as a good thing, its market signals point to the opposite direction." This is a strong indictment but anyone who visits a departmental store in a western city cannot fail to vouch for its verity. The Indian presence there is hardly visible except for a few leather articles and some textiles.

India's exports can come of age only when we succeed in sending our branded goods in substantial quantities all over the world and find a ready market. Consumer durables, automobile products, kitchen appliances and electrical goods are the final test of our global acceptance.

If the *Economist's* rather unflattering observations on India's export image have to be countered, STC, and MMTC will have to play a catalytic role in three major areas.

☐ Indian industry continues to lack a thorough knowledge of what a consumer wants. This is particularly true in advanced markets of the West. The dynamics of the international marketplace, the changing profiles of its products and packaging and the enlightenment of the western consumer on concepts of quality are still not fully understood by Indian manufacturers. There are many instances of our products being rejected not because we did not know how to produce quality goods but because we lacked a sound knowledge of what a consumer in a particular country expects on the finer aspects of a product — finish, paint, colour, etc. Improvements in these areas are vital.

☐ In their long existence STC and MMTC have hardly played a role in structuring innovative ideas in the field of Indian exports. It is surprising that with the kind of reach they have in global markets, STC and MMTC have not thought of any non-traditional product range that could have earned foreign exchange for the country. For instance, Indian food is today the rage of the world and has tremendous potential as an export commodity in a variety of forms, from the export of pre-cooked snacks to consultancy and franchising rights on the range of Indian cuisine. The 1,000-and-odd Indian restaurants in London are just an indication of what is possible. Similarly ayurvedic medicines could be turned into another vital foreign exchange earner. There is a role for STC and MMTC in all these. The feel and flavour of Indian exotica can charm the world.

☐ The natural advantages that India has in information-based exports need to be pursued. Today software is a major component of Indian exports. But there are other knowledge-oriented exports which offer equally significant potential. With the electronic media making rapid strides, Indian advertising has come of age. A number of advertising operations like copywriting and artwork preparation which involve substantial labour inputs are comparatively expensive in the West. These offer considerable opportunities for sub-contracting by the Indian advertising business.

Today, in spite of their sizeable and wide-ranging operations, STC and MMTC have not developed any significant identity in the international markets. They have few offices abroad and these are sparsely manned with people whose expertise in international marketing is not always established. India needs to train a cadre of marketing professionals to take up this strategic task of foreign trade and turn it into an organised and successful operation. It is in this central area that STC and MMTC should give a commanding lead if India's international trade has to make a significant contribution to its economic activity.

COMPANIES

IFL: a future beyond foil

Not a few business managers are convinced that in the market-oriented Indian environment of the nineties, the name of the game will be packaging. This is the single largest sunrise industry on the horizon, they believe. The smarter of the lot are already refurbishing corporate strategies in anticipation of an asymptotic rise in the demand for packaging of all types in tandem with quantum increases in the use of consumer products.

Ray: facing a managerial challenge

In the latter category falls Amitava Ray (42), president of the low-profile, Calcutta-headquartered India Foils Ltd. (IFL). Ever since his promotion to the top job in July 1986 (Ray joined the company in 1965 after graduating from Presidency College, Calcutta), the company has been busy shedding its erstwhile fuddy-duddy image as a low value-added foil manufacturer. "IFL should emerge as a major player in the sunrise packaging industry," predicts Ray.

Old-timers like Ray agree that the conservatively-run IFL's earlier management was quite happy to run the company as a production-oriented business, assured of its market leadership in the humdrum foil sector (market share: 55%). But the dash of 'native' entrepreneurship injected in 1985 — when George Williamson & Associates, UK, bought over IFL's overseas shareholding from British Aluminium and roped in its Indian partner B.M. Khaitan — seems to have made a lot of difference. Today Khaitan is IFL's non-executive chairman and has an 11% stake in its equity. With stakes in IFL and Metal Box, Khaitan has a management say in two top packaging companies, but the profit-making IFL is obviously the more important of the two even though the latter is the bigger company (Metal Box's turnover was Rs.131.9 crores in the year ended 31st March 1987, against IFL's Rs.104.9 crores in the year ended 31st December 1987).

"We chalked out a fresh corporate plan by end-1986 keeping in mind the need to cater to the broader range of packaging, including flexible packaging," recalls IFL's Ray. One fallout was the launch of a Rs.30-crore expansion and modernisation programme which includes, *inter alia*, the installation of a new 1.5 metre rolling mill.

But not all of this money is set to be spent on foil-related investments. Recently, IFL obtained a new industrial licence to manufacture sophisticated polymer/co-polymer coated cable wraps, and a spanking new production line is being set up accordingly. To be marketed under the brand name Polyal, this will mark IFL's entry into the telecommunication cable industry.

Further, IFL has signed a technical knowhow agreement with Crest Flexible Packaging Ltd., UK, which is an internationally reputed manufacturer of flexible packaging laminates. A Rs.5 crore flexible packaging product line has been operationalised earlier this year. Incidentally, this new unit in Calcutta has been housed in premises bought from Metal Box.

Vital differences. Nor is this all in IFL's ambitious plans to hit the packaging scenario with a big bang. A collaboration is at an advanced stage of negotiation with PKL Verpackungssysteme GmbH of Dusseldorf (West Germany) to introduce Combibloc packs in India manufactured as per Jagenberg technology. There is a vital difference between the now familiar Tetrapak bricks and the Combiblocs: the latter permit a millimetre of air space between the surface level of the packed juice and the top of the pack. (Tetrapaks are filled to the brim.) When a straw is inserted, the Combibloc pack does not squirt juice from the point of puncture. Not surprisingly, there are high hopes in IFL about the future of Combiblocs.

According to Ray, the growth areas for foils and polyester laminates include pharmaceuticals, medical and family planning appliances, telecommunication cable wraps, a wide range of consumer goods and an equally wide array of edible products ranging from *paan masalas* to instant food. If all goes well, IFL will register its presence in most of these sub-sectors. "We expect a growth rate of 10%-20% per annum in the foils line, but in the flexible packaging segment, what we're really looking forward to is progression in quantum jumps," he says.

Meanwhile, IFL continues to dominate the Rs.126 crore per annum foil market like the proverbial colossus. As behoves a seasoned market leader, IFL's managers talk about "creating new markets" rather than snatching away customers from competitors. They aver that the future of foil lies in thin gauges. This will be IFL's speciality once the modernisation binge is over. "Our upgraded converting sections will enable far higher value additions," says vice president M. Sengupta (56).

Merger proposal. Also, a much delayed vertical integration measure is set to bear fruit at long last. This refers to the aluminium cold rolling and continuous casting unit — Light Metal Industries Ltd. (LMI) — which was promoted by overcoming its teething problems. Technology has been imported from Pechiney of France for the first time in India, and there is the promise that one of IFL's "perennial problems," *viz.* getting foilstock of the "right quality, quantity and price," will be behind it once the LMI plant gets going. Steps are afoot, in fact, to merge LMI with IFL and as on date the proposal is pending with the Monopolies and Restrictive Trade Practices (MRTP) Commission.

Ray maintains, though, that his real challenge lies on the managerial rather than the technological front. "A major management priority in this company is to regenerate the IFL team by helping it to adjust from working in a protective environment to a more competitive one. The average age of our managers is not low, and for many among them, risk-taking or facing change are new experiences. Keeping one's pulse on the market rather than on the production line takes some learning, as does the art of shortening one's response time to situations," he says.

Fortunately for Ray, he does not have too many worries in conventional areas like finance (the debt: equity ratio is 0.47:1) or industrial relations ("a change in the union's attitude towards management is a reality"). Overmanning is a fact of life (muster strength: 1,027) but with new production lines coming up, redeployment of personnel is a distinct option available to the management. For example, the new flexible packaging unit referred to above employs 70 people shifted from redundant jobs.

Clearly, these vertical and horizontal integration moves will strengthen IFL and help increase its pre-tax return on sales from the present level of 5%. In the coming years, should pundits' predictions on the quick take-off of the packaging sector come true, a good deal more ought to be heard about this company. And when they congregate for the annual general meeting coming up next month, IFL's 6,779 shareholders might as well draw comfort from this hope.

Sujoy Gupta in Calcutta

PUBLIC ISSUES

The marketing dimension

Can new equity and bond issues be targeted at specific groups in society with investible surpluses rather than the public in general? A recent survey conducted by a Bangalore-based market research organisation on equity investors throws up some useful pointers on how new issues can be hawked cost-effectively. But the moot point is: can securities be sold as niche products successfully?

New situations call forth new strategies. In the roaring bull market of 1985, when share indices leapt from peak to peak, any company that went fund-hunting in the capital markets came up trumps. Oversubscriptions were the norm rather than the exception. But all that's a distant memory now. As Citibank's assistant vice president J. Govindaraj says: "It's not a sellers' market any more. People cannot place money too easily in the market." Investor confidence has been ripped apart by the rampant bear market of 1986-87. Should companies that wish to tap the public's purse then merely clamber up the nearest tree and wait for the bear to buzz off before setting foot in the capital market?

No. A recent country-wide survey by the Bangalore-based Synch Research Services (P) Ltd., an affiliate of Marketing & Business Associates (MBA), indicates that a clearly-focused marketing strategy could help sell new issues better than the present come-one-come-all type of promotion. Synch, which provides syndicated market research services to subscribers, has drawn up an investor profile based on the survey.

Explaining the *raison d'etre*, S. Shyam Sunder, director of Synch, says: "We saw much activity in the capital markets in the last couple of years. We thus felt there was a need to collect basic information about the people who had begun to invest in equity and debentures." Once the boom began to fade, that need for information became even more pressing. A number of merchant bankers, some with dud issues on their hands, came to share Shyam Sunder's view that tapping a depressed capital market constituted a marketing problem, on which thorough research was necessary.

Investor prototype. "No data was available," says Sanjay Kulkarni, director of 20th Century Finance Corporation Ltd. "The prototype image of the Indian investor was based on the individual experience of each merchant banker." Not surprisingly, there were as many perceptions about investors as there were merchant bankers. Thus, when Synch proposed a study, the idea found quite a few takers. A presentation was organised at the Merchant Bankers' Club, where Synch outlined the broad areas it intended to cover. The merchant bankers, in turn, gave Synch an idea about their requirements. By the end of 1986, the conceptualisation was complete and things started moving.

"We went into the field in mid-1987," recalls Shyam Sunder. "We decided not to restrict ourselves to the metros alone but also cover the towns. The profiles of towns such as Guwahati and Vijayawada have been changing over the years. There were, for example, several applications for the last Reliance debenture issue from these places. Besides, industries have been coming up in or near these towns, indicating the existence of an investible surplus there," he adds.

Based on a random sample of 6,000 men with incomes of Rs.2,500 plus a month, extensive interviews were conducted over roughly three-and-a-half months. The data was processed over the next couple of months and by December 1987, the report was completed.

Shyam Sunder: focused marketing is vita

Some of the findings were standard fare, reinforcing what was already known. "We knew that investors generally moved from real assets such as jewellery, to financial assets," observes Kulkarni (quoted earlier). "Even among financial assets, investors tend to go in for fixed deposits in banks rather than other instruments."

The more interesting findings, however, relate to the factors which govern investor choice in subscribing to public issues. The Synch survey reveals that the track record of a company's promote carries far more weight with Indian investors than the image of the foreign collaborator. In 1985, some companies wen in for glamorous names in foreign collaborations to dazzle the investor. Bu now such methods don't cut much ice

"Unless the Indian promoter has had a sound track record, investors won't part with their cash," avers Kulkarni.

An even more significant discovery relates to the identification of 'captive' segments of people with the money — and the inclination — to invest. Says Shyam Sunder: "The armed forces have emerged as a prime segment of untapped potential. Bank employees constitute another. Having learnt this, there is a clear possibility of developing a focused marketing strategy for public issues addressed at these segments."

Many merchant bankers agree that such nuggets of information are useful, but are unsure how these can be put to effective use. "Nobody can deny that members of the armed forces have a considerable investible surplus. The government takes care of most of their needs (housing, food). Also, many of them are insecure about their future after retirement, and this makes them eager to invest. But I really don't know how we can use this information, unless we try and put a colonel into our ads for new issues," says Kulkarni.

A Mohankrishna Reddy, a consultant with Grindlays Bank, doubts whether such precise targeting is possible. "It is difficult to say whether we can focus our marketing so precisely," he muses. "In public issues, we have to aim at everybody." Govindaraj of Citibank shares this view. "You have to try for an across-the-board appeal," he says. He suggests that in India, as in Japan, housewives and local people should be roped in to sell shares and debentures to the public. "That is what the big four security houses in Japan do. As a result, they are able to place any issue successfully in Japan."

The Synch survey throws up its own pointers on how new issues can be marketed. Traditionally, companies have depended upon the broker network. Synch has found, however, that LIC and UTI agents have a higher credibility rating and a wider reach among potential investors. "LIC agents are perceived as being trustworthy. They have a 'father-figure' image, in addition to having access to people with savings. If they are used to market new issues, I think it would definitely work," says Shyam Sunder.

Reddy (quoted earlier) agrees: "I think it would be useful, because LIC agents have a penetrating reach. We haven't really tried it so far, but we may have to go in for such non-conventional avenues in future." Govindaraj, too, believes it is a good idea. "It can be tried out," he says. "It should work pretty well if we concentrate on getting people from within a particular geographical area."

Kulkarni, however, thinks the idea of using LIC agents may not quite work out

Govindaraj: the investor is important

Surprising finding. Whatever their differences on tapping LIC agents, merchant bankers are solidly unanimous about one of the survey's findings. The finding on the reading habits of investors has proved a real eye-opener. The survey found, surprisingly, that investors depend more on general newspapers and magazines than on economic or financial publications to obtain news about public issues.

"Magazines such as *India Today* and the *Illustrated Weekly* enjoy a very high readership for new issues," says Kulkarni. "In the east, *Sunday* has a wide reach. Publications such as *BusinessWorld* and *Business India* figure much lower on the list, as do the financial dailies. We intend using this part of the survey in our media planning," he says.

Govindaraj and Reddy agree entirely. "I think we have to be more focused," says Govindaraj. "I agree with the finding that advertising in the business press alone doesn't help much. We're going to have to concentrate on regions. This focus on regions is already going on. We know that shareholding is concentrated in Bombay and Gujarat. We're going to try and get more mileage out of every rupee we spend on advertising." According to Reddy, "the regional analysis of readership is among the greatest strengths of the survey. Earlier, we didn't know the reach that, say, *Janmabhoomi* had in Rajkot. Now, we can develop better media plans."

Reddy believes such studies have long-term utility. "They enable us to discern the attitudes of investors, in contrast to their immediate market sentiments." Kulkarni, on the other hand, feels focused marketing will have an immediate impact on advertising costs. "Once you know the kind of people you're aiming at, you can reduce your costs. At present, the possibility of new investors entering the market is minimal. One can expect only the existing ones to invest. A focused marketing strategy is thus essential at such a time," he adds.

Citibank has gone one step further. Eight months ago, it reorganised its investment banking division into two groups, with one group concentrating primarily on investors. "Placing money in a focused manner is becoming increasingly important" says Govindaraj. "It's time everyone started looking at what the investor wants."

Mukul Pandya in Bombay

CONSUMER PRODUCTS

A breather for KGF

It may be too early to start crowing, but it seems the Madras-based Kothari General Foods Corporation Ltd. (KGF) has emerged from the woods at last. And about time too. KGF has been in some trouble or the other almost ever since it came out with its public issue in November 1986. Its first product launch, Ju-C (a powdered beverage) is being written off as a flop. Its second sortie, Tang (orange-flavoured beverage crystals) is finding the going tough. Its major investment area, coffee, has not come along on schedule. It has been dragged into the Pepsico controversy and there are reports that the Modis have approached General Foods Inc. in the US, indicating that "they would be only too willing to take over the General Foods franchise if the Kotharis opt out." Small wonder there has been little cause for cheer.

But finally, the sun may have broken through the clouds. On 2nd March, representatives of the Coffee Board of India signed an agreement with the Russian importing agency for coffee, Soujuzplodoimport at Bangalore. According to this agreement, the USSR will purchase 2,200 tonnes of soluble (instant) coffee from India. And the major beneficiary of this order is KGF, which will be supplying 1,500 tonnes. Reveals a pleased K.S. Rangraj (66), KGF's managing director, "This year, all our capacity (1,500-1,700 tonnes) is committed to the USSR. We would like to establish KGF as a reliable supplier of sizeable quantities. As far as the USSR is concerned, we will commit a good portion of our full capacity (3,000 tonnes per annum) on a continuing basis."

But given the worldwide coffee situation, the immediate point of interest is the price which KGF will get for its coffee. "Considering the international rates, I think they (the USSR) have paid a good price," says Rangraj. But he also adds, "It could be more remunerative." While in the past India got as much as Rs.230 per carton (2.4 kg), this year (1988) it has got a price of Rs.191 per carton of soluble coffee. According to Rangraj, one reason is that India did not supply any soluble coffee to the USSR in 1987 and this market was captured by Brazil, the world's largest coffee producer. Therefore, this year India had to recapture this market. Even though Indian coffee enjoys a premium in the USSR, "Brazil is the price barometer."

Welcome addition. For KGF, this 1,500 tonnes works out to Rs.11.94 crores, an addition to its present meagre turnover which it will gleefully welcome. For the calendar year 1988, Rangraj expects coffee turnover to be in the vicinity of Rs.15-20 crores, while for the financial year ending 31st March 1989, he estimates it at Rs.30 crores. Tang's turnover, he reluctantly admits, on the production of some 100 tonnes annually, will be Rs.80-90 lakhs, a fairly insignificant amount. Given the competition, promotional expenses alone should exceed this.

But, as Rangraj explains, "It is a chicken and egg situation. You have to spend money on promotion to improve sales and sales should generate the money to spend on promotion." According to him, media reports predicting Tang's demise are way off the mark. KGF's problem, as far as Tang goes, is that if it does not get the licences to import the flavours, it cannot manufacture Tang. Argues Rangraj, "Until I am sure of the import policy, I have to be extremely cautious, so we cannot go the whole hog in such products." The sceptical may well retort — amd perhaps rightly too — that this was a matter which should have been settled before the product was launched. They could well ask why KGF has not found indigenous suppliers or developed the flavours itself.

Well, KGF is doing just that, now. A facility for manufacturing Tang flavours is proposed to be set up next to the existing factory at Mysore, "at a marginal investment of Rs.70-80 lakhs." The company is also in the process of developing indigenous suppliers for Ju-C, such as Naarden India Pvt.Ltd. (a Unilever company). Rangraj denies that Ju-C was withdrawn from the market. "We are in the process of re-formulating it," he says, admitting that "The performance of Ju-C was not to our satisfaction."

Rangraj: planning a Ju-C future

Rangraj feels that many of the reports on product failures and General Foods' (GF) dissatisfaction are motivated. "GF is feeling quite pleased about the fact that it has ushered in state-of-the-art technology and has helped set up a fine manufacturing facility," he says. Yet another pointer to GF's faith in its Indian partner is in the fact that it has 'assigned' the Tang brand name to KGF for India. This means that should GF ever decide to pull out of India, KGF can continue using this brandname.

Current problems. KGF would like to concentrate more on current problems than such controversies which have contributed towards lowering the morale of its employees. As it is, there was a marginal delay (of about four months) in commissioning the coffee plant, which accounts for roughly 75% of the total project cost. The project cost itself increased from the original Rs.34.35 crores by nearly Rs.5 crores. And the project actually consists of two phases. Phase one concentrates on soluble coffee (spray dried) and powdered beverages. Phase two resolves around soluble coffee (freeze dried) and vegetable-based protein products. Only phase one has been operationalised. Development work on protein products will start in a year's time.

For the D.C. Kothari group success of the KGF project is all the more important because it is its first venture into sunrise areas. The group has so far been very tradition-bound and KGF's co-promoter — Kothari Industrial Corporation Ltd. — is not exactly in the pink of health. The company had a sales turnover (net of excise and sales tax) of Rs.67.60 crores in the year ended 30th June 1987, and there was a net loss of Rs.3.76 crores. In the six months ended 31st December 1987, the turnover was Rs.36.87 crores and the net loss was Rs.2.50 crores.

The order to supply coffee to the USSR will add to KGF's turnover and go some way in fulfilling its export obligation of Rs.100 crores. Next year, says Rangraj, once the plant achieves its capacity of 3,000-3,200 tonnes per annum, KGF expects to export 1,750-2,000 tonnes to the USSR. It will also make a foray into the domestic market with an initial supply of about 250 tonnes. Mid-1988 should see the 'real beginning' of KGF's domestic marketing thrust, according to Rangraj.

But when can the shareholders (who number over 25,000) expect anything? Says Rangraj: "In a new company, it takes some time. We can look forward to good results in the next two to three years. I don't think I can predict it exactly at this point in time." But the shareholders who have seen KGF's share price rise mysteriously to Rs.30 and more and later dip to its par value (at which level it continues) could do with more than nebulous optimism. They were certainly looking forward to a Ju-C future, with a lot of Tang added to it.

Chandu Nair in Madras

TECHNOGERMA '88

High-profile hardsell

A. Hoser, president of the Indo-German Chamber of Commerce, described it as the "largest industrial hi-tech exhibition that West German industry has ever staged abroad."

Martin Bangemann, West German economics minister, remarked that Technogerma '88 — the German technical exhibition held in New Delhi from 14th to 20th March — "underlines the major importance of the manifold economic and technological ties between India and the Federal Republic of Germany."

According to Hans-Gerd Neglein, chairman of the Technogerma '88 council, the record number of companies participating in 1988 represented "the response of German industry to the new economic order being set up by the Indian government."

And Konrad Seitz, West Germany's ambassador to India, said Technogerma '88 indicated his country's wish to "move together with India into the high-technology society of the 21st century."

In almost every way, the seven-day jamboree was a magnificent show, a thumping success. Participation: 270 companies, many of them the biggest in the business. Size: 22,000 sq metres of covered area, larger even than 1984's Technogerma show in Tokyo. Live interaction: over 100 seminars and lectures on topics ranging from economic policy to education and training and from R&D to export promotion.

MANNESMANN

A stall at Technogerma'88

In attendance were — apart from Indian business executives — a large group of German industrialists, scientists and engineers from industry and research institutes, and a buyers' delegation. And the message sought to be conveyed by the latter was unmistakable: West Germany is a source of the latest technology and knowhow, and a reliable partner in the modernisation of Indian industry.

Germany's superb export performance should have been proof enough of that country's technological prowess. In 1986, it displaced the US as the world's leading exporting nation with exports of $240 billion, but this factor has been overshadowed by Japan's spectacular successes in consumer electronics and automobiles. Germany's leadership in high technology areas has, thus, not been fully recognised. Its advances in the fields of computers and semiconductor research and technology are not yet well known. The organisers of the Delhi show, therefore, reckoned that Technogerma would demonstrate to Indian businessmen both the strengths of German industry as well as its willingness to share knowhow with India.

But the Rs.80 crore extravaganza was more than a mere "sales show." There were 115 lectures and seminars on economic policy, science and technology, education and training and export promotion — all designed to provide further opportunities for dialogue between Indian and German delegates. One workshop focused on avenues of self-employment in small-scale industries open to Indians returning home after completing technical training programmes abroad. Another seminar discussed export promotion instruments such as trade fairs, the markets for export of engineering goods, industrial raw materials and consumer goods, and the prospects of cooperation for export to third countries.

Unbalanced trade flows. There is plenty of scope for India to increase exports to West Germany. During the years from 1984 to 1986, exports stagnated around the level of DM 1,400 million (Rs.980 crores) a year — a mere 0.3% of total German imports. As Professor D. Kebschull — who heads the Indo-German export promotion project initiated after Chancellor Helmut Kohl's visit to India in April 1986 — pointed out: "Trade flows between the two countries are extremely unbalanced. German exports to India exceed the value of Indian exports by two to three times. The traditional trade deficit over the last five years increased from DM 996 million to more than DM 2.000 million."(1 DM = Rs.7).

There have, no doubt, been sectoral success stories. In 1986, carpet exports fetched DM 200 million, as did leather goods and shoes. Garments earned DM 170 million. But the export basket has yet to be diversified. More than 50% of the country's exports to West Germany consist of textiles and garments; another 30% comes from leather goods, shoes and jewellery; and about 15% from agricultural exports. Kebschull pointed out that despite the liberalisation in policies since 1985, India's poor knowledge of the export market, poor quality of products and outdated designs, non-competitive prices and weak after-sales service continue to act as barriers to higher exports.

The German market, Kebschull explained, was highly competitive and buyers dictated terms. In the European Community, German customers are known to be the most demanding in terms of fashion, design, price and service. Moreover, while exporters from the US, Japan and other European countries have always been active in West Germany, they have recently been joined by developing countries such as South Korea, Taiwan, Brazil and Hong Kong. "New competitors approaching the German market must be at least as versatile and efficient as these exporters and local German suppliers," said Kebschull.

Aware of the need to rectify the growing trade imbalance, the Union commerce ministry set up the Indo-German export promotion project (IGPP) jointly with the German Agency for Technical Cooperation. The project aims at boosting India's exports to the European Community and other western countries. It helps Indian exporters to identify products with export potential; provides information about overall conditions and trends in target markets; offers advisory services in design, packaging and quality control; helps train Indian export marketing personnel; and generally aids the process of tapping new markets through trade fairs, etc. The project, which took off only a couple of months ago, is currently concentrating on traditional export items such as leather shoes, silk goods and gold jewellery. But since demand in these sectors is not expected to be very buoyant, there are plans to progressively take up high-potential demand such as engineering goods, pharmaceuticals and chemicals.

Tie-ups thrive. Indo-German industrial collaboration in India is, however, thrivng. Today there are 168 Indo-German oint ventures. The more famous of these eam-ups are the Rourkela steel plant, he Daimler-Benz tie-up with Telco, and Mico, set up with Bosch. Indeed, German plant and machinery manufacturers ead the rest of the world in equipping ndian industry. Germany is the world's argest exporter of plant and machinery (ahead of even the US and Japan) and wo-thirds of this industry's production is exported every year. During the 10 years rom 1977 to 1986, as much as 23.6% of he total value of machinery imported by ndia originated from West Germany. The US (19%), Japan (18.5%) and UK 14.9%) were far behind. German machinery exports to India in 1986 totalled DM 1.1 billion (Rs.770 crores at the prevailing exchange rate). Small wonder hat the initiative for Technogerma'88 came from the German Machinery and Plant Manufacturers Association. About 60% of the German exhibitors were mechanical engineering companies, and hey took up half the total space at the exhibition.

Germans reportedly also tend to be ess secretive than the British, Americans or Japanese in sharing knowhow with heir foreign partners. This may explain he fact that since 1984, Indians have ear after year signed more collaboraions with German companies than with hose of any other country. From a mere 3% in 1957, collaborations with German companies came to account for 19% of ll foreign collaborations by 1986. Until 983, Germany was India's third largest oreign commercial partner after the US and Britain. Today, Germany has dislodged Britain from second place. And in 986, the number of collaborations igned with Germany exceeded even hose signed with American companies. Significantly, this rising trend has emerged immediately after India participated as a "partner country" in the Hanover fair in 1984.

Paradoxically, however, the total amount of capital invested by German irms in India is a mere DM 400 million(Rs.285 crore) — negligible compared to total German investment worldwide of a whopping DM 131 billion Rs.1,00,000 crores) at the end of 1985. Clearly, German capital is still extremely hy of entering India. A survey of ndo-German ventures recently conducted jointly by DFG (German finance ompany for investments in developing ountries) and the Indo-German Chamber of Commerce should, however, give oth Indians and Germans cause for atisfaction. The survey revealed that the Germans fully met the high expectations of their Indian partners seeking knowhow, and some even considered German firms the best collaborators in areas of high technology. Secondly, while the Indian partners sought to raise their quality and technology bases, the Germans were motivated by the potentially large Indian market.

The survey also revealed that the profitability of the joint ventures was generally below that of the parent company as well as below the norm for other joint ventures abroad.

Good partners. If an overwhelming majority of the respondents nevertheless did not wish to change their original decision to collaborate with West Germans if given a second chance, it was for two reasons. First, Indians and Germans found each other to be good business partners. And second, because government policies and the tax structure favour a ploughback rather than a disbursement of profits, many of the joint ventures have recorded remarkable growth rates. Some have raised total investment to levels that are not only several times their original size but have also become major players in the Indian economy. (Sales of all Indo-German joint ventures totalled Rs.3,160 crores in 1985-86).

Finally, and this should gladden the hearts of the country's policy makers, the survey revealed that the foreign exchange earnings of the joint ventures through exports were several times the amounts paid out by way of repatriation of profits, payment of licence fees and royalties. The two sets of figures were Rs.161 crores and Rs.14.4 crores for 130 joint ventures covered by the survey (year: 1985-86).

India's participation in the Hanover Fair in 1984 resulted in an increased German economic presence in India. The hope obviously is that this time, with the Germans coming to India, the impetus will be a reverse movement of goods and services from India to Germany.

Rajiv Shirali in New Delhi

LABOUR

Prelude to a hot summer of discontent?

Come summer, and the time is ripe for angry slogans and bloody street battles. First, it was the BJP-sponsored *Dilli* Bandh which saw commercial life paralysed in the capital. Close on its heels came the three-day strike call by unions in public sector units all over the country (14th to 16th March). And on 15th March, it was a joint opposition call for a one-day nation-wide strike which was boycotted by the BJP. Struggling manfully to maintain a facade of normality all through was the Congress(I) government at the Centre and the states. The stakes were indeed high.

Why have such strikes and agitations suddenly erupted like a rash? The answer is that it is nothing new. Last year, for example, 2.6 million workers in the public sector units did go on a one-day token strike which was near-total. Then there were prolonged strikes by jute and cotton textile mill workers, state government employees in six states, cement and sugar factory workers and, of course, doctors and teachers. So, the recourse to agitationist methods, despite the dwindling militarism of blue-collar workers, is only to be expected. Patterns are also visible, for example, in the return of double-digit inflation and a heightened atmosphere of trade union-sponsored industrial actions. It is going to be one long, hot summer for the Rajiv Gandhi government, thanks to its inept handling of the economy.

Panic this government does, and easily too. Ever since the non-BJP opposition had declared its intention of shutting the country down on 15th March, the Congress(I) leaders could only mock this call. Chuckling in private and public, they could only point to the antics of a divided opposition as proof of their own supremacy. They laughed, as everybody else did, at the leftist parties (CPI, CPM, RSP and FB) which refused to have anything to do with the BJP, labelling it a communal organisation. And there was another round of giggles at the expense of the Lok Dal (Bahuguna) faction which did a series of flip-flops before finally agreeing to go along with the centre-left combine. But the last laugh was on the Congress(I) itself.

Government outmanoeuvered. Just a week before B-day, the government woke up to the fact that it had been outmanoeuvered. Somehow, no one had realised that the three-day public sector strike had also been planned for the same time. Even the Delhi Transport Corporation's (DTC) employees were slated to

Bharat bandh: all quiet on the Chowringhee (Calcutta) front

strike work from 15th March although the DTC union was controlled by the Congress(I) itself! Again, the call for a six-day strike in the coal sector — both distinct and as a part of the public sector strike call — was endorsed by none other than Rangarajan Kumaramangalam, a Congress(I) member of Parliament. Frenetic and feverish efforts by the INTUC, the Congress(I)'s trade union affiliate, did help to salvage the situation to a degree. But beyond postponing the DTC strike by a couple of days (to 17th March), nothing else could be achieved.

It was then that the tangible benefits of having men of the calibre of Gopi Arora and Suman Dubey as media planners in government showed itself. Both on television and radio, a host of spots castigating strikes were shown repeatedly. Then came a number of tame interviews and discussions which sought to give the lie to the demands of the unions. All in all, it was a masterly performance which showed up All India Radio (AIR) and Doordarshan for what they truly are — instruments of government propaganda. As one opposition leader observed: "Actually, we don't mind. For two reasons. Tomorrow, when Doordarshan and AIR claim that the strike was a flop, as they must, no one will believe them. In addition, the strike has got a lot of publicity — more than we could have ever hoped for." At another level, the media blitz of the government came too late to be of any concrete utility. It was a classic example of the dangers of overkill.

Even in dealing with the four-million strong community of public sector employees, the government conveyed the distinct impression of going around in circles. While Union minister for energy, Vasant Sathe, was the man handpicked by the prime minister himself to deal with the situation, it is possible that industries minister J. Vengala Rao was miffed at being left out in the cold. As for Jagdish Tytler, the newly appointed Union labour minister, it was baptism by fire. Nor has he, by all reports, escaped unsinged.

Orwellian doublespeak. In the event, the strikes ended as they always do — with wildly exaggerated accounts on all sides. Officially, it was made clear that the Bharat Bandh itself had failed to arouse a response except in West Bengal, Kerala and parts of Andhra Pradesh. Such a view was aired by the evening of 15th March itself in the capital despite the paucity of information on this count. A sample of the Orwellian doublespeak of government spokesmen would illustrate this point. "There was not much impact in Maharashtra but only 50% of the BEST buses were on the road." Was this normal, queried somebody, to which there was no answer. "Uttar Pradesh was generally normal although some schools in and around Dehra Dun were closed." Was Doon School on strike? asked someone.

And so the game went on, with the capital's press corps getting into the spirit of the affair. "Himachal Pradesh was normal," although it later transpired that Shimla, the capital, had been totally shut down. "No impact in Haryana," it was stated, although independent reports averred that not a single production unit in that state had even opened that day. "Vehicular traffic in Tamil Nadu was normal," reported the news agencies; this was probably because an unprecedented 50,000 people had been taken into custody days earlier in that state.

In like vein, it was virtually impossible to sift fact from fiction vis-a-vis the impact of the strike in the public sector units. Officially, the point was simple — apart from units in West Bengal, Andhra Pradesh, Kerala and Karnataka, production was normal elsewhere. On the other hand, the apex Committee on Public Sector Trade Unions contended that the success rate of the strike was as high as 90%-95% on an average. In official accounts, attendance was put at 50%, but production was normal. A clear sign that the public sector is overmanned?

Political challenge. In the ultimate analysis, the statistical claims and counter claims are at best of academic significance. What does emerge is a political front — the left and centrist parties, like the Janata and the Lok Dal, appear to have succeeded in throwing up a serious challenge to the Congress(I). After all, no strikes have succeeded in dislodging a government in this country after Independence. If the Rajiv Gandhi-led government seemed hellbent on seeking a fresh term of office in the near future, this bandh must have checked their enthusiasm. Once again, it is time for soul-searching.

Qualitatively, however, there is a distinction between the one-day Bharat Bandh and the three-day public sector units' strike. The former was avowedly political — it called for the resignation of the Rajiv Gandhi government. All that the public sector employees were asking for was more money — the economism into which trade union activity has degenerated. While public sector workers do have genuine grievances that have been kept alive by mindless bureaucratic meddling, it is not too clear if they are justified in asking for more. And more. After all, it is the inability of the public sector to transform itself and deliver the goods that has resulted in the perpetuation of a high-cost economy. Jumping onto a groundswell of popular disenchantment with the Rajiv Gandhi government for their own end is not just dirty politics — it is also bad economics.

Anand P. Raman in New Delhi

LEASING

A fresh lease of life

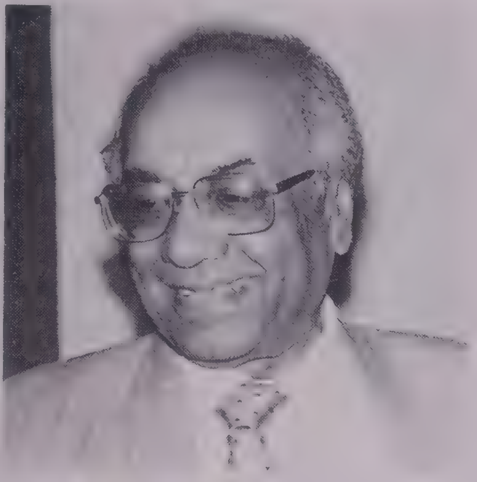
Few industries need a facelift as badly as leasing does. The popular image of leasing companies is that many of hem have been floated by shifty-eyed shysters to dupe the gullible. Added to hat is, of course, the perception that hey are now going through a bad patch.

This perception is now being chalenged. The Equipment Leasing Association (India), (ELA) for one, believes hat leasing is emerging from the shadows. "We are going through a period of transition," says Ved Prakash Gupta, ELA's chairman. "Many leasing firms are growing at a rate of 20% per annum." And within the next three years, says Gupta, the aggregate asset value of equipment leased out will multiply seven-fold: from Rs.700 crores n 1987 to Rs.5,000 crores in 1990.

But between the desire and the reality falls the shadow. Undoubtedly, leasing companies are entitled to nurture opes about rapid expansion. But the iggest constraint they have faced so far — that of raising the cash to fund their perations — still looms large. Moreover, the hanky-panky indulged in by the maller leasing companies has impaired heir credibility as borrowers.

Gupta's optimism, however, stems from some policy changes which are in he pipeline, which will make it easier or leasing companies to borrow from nancial institutions and banks. The Inustrial Finance Corporation of India (IFCI), for example, has already nnounced a scheme last November to und leasing operations. Soon, other nancial institutions are likely to follow uit. Most significantly, the Reserve ank of India may soon permit banks to provide loans to leasing companies of mounts ranging between three to 10 mes their net worth. In short, lifeboats ill be lowered for the leasing companies, to help them row away from the oldrums.

The rescue could not have come at a ore crucial juncture in the industry's ief, if dramatic, history. Before the eighties, leasing was virtually unknown in India. In the seventies, one solitary firm was engaged in the business. After a bit of prodding from the International Finance Corporation, Washington, which is firmly committed to the expansion of private capital markets in the developing countries, Indian development banks began to get into the act. Some firms, earlier engaged in hire-purchase operations, also entered the fray.



Gupta: high hopes

Prophecies of doom. In the heady mid-eighties, when the stockmarket boom was at its peak, leasing firms mushroomed overnight. Says T.N. Padmanabhan, of the Madras-based Sundaram Finance Ltd. "In 1985, there was the phenomenon of a new leasing company being floated almost every other day. It was widely predicted at that time that this mushroom growth could not be sustained and that most of the companies would fall by the wayside. These prophecies of doom have not been far off the mark. Of the 400 leasing companies (existing in 1985), most have either diversified into totally unrelated areas of business, or have simply closed down," he adds.

The 100-odd survivors are determined to make the most of the concessions that are coming their way. A shot-in-the-arm for their efforts has been provided by the Dahotre Committee's recommentations. This panel was set up at the instance of the Tandon Committee to look into the credit problems of leasing companies. Its recommendations include, in addition to the sanction of bank loans, provisions that will allow bigger leasing companies greater access to bank funds.

Even so, the going won't be easy. The banks and financial institutions, though they may cough up the cash, are likely to prescribe tough eligibility norms for borrowers. The IFCI, for instance, has clarified that only companies which have been in leasing or hire-purchase for three complete accounting years, and have had a satisfactory track record, will be given loans. Thus, the money constraint may not disappear, notwithstanding the hopes of the leasing companies.

Favourable policy. In contrast, a factor that should considerably encourage their efforts is the favourable policy environment that prevails. At a seminar hosted by ELA in Bombay on 10th March, which was attended by delegates from major leasing companies all over Asia, Planning Commission member Abid Hussain stressed that the government was all for innovation in finance. Protection and concessional loans had made industry wasteful, he said, and added: "The road to inefficiency is paved with easy access to finance on soft terms." The message rang out loud and clear: leasing companies can now expect a policy environment that favours their growth, but funds will not exactly flow like water for everybody. Only the best leasing companies may thus benefit.

Meanwhile, some leasing companies already are looking beyond next year's balance sheets. They are keenly surveying the leasing scenario with a continental perspective. Says Padmanabhan (quoted earlier): "We want to know what is happening to the leasing companies in other Asian countries. We want to establish links that can bear fruit in the long-term. In many European countries, cross-border leases are becoming commonplace. Why can't we, in India, aim at a similar target?" he asks. Whether such deals will be struck in future is another story. For the present, though, it does seem as if leasing in India has received a fresh lease of life.

By a correspondent

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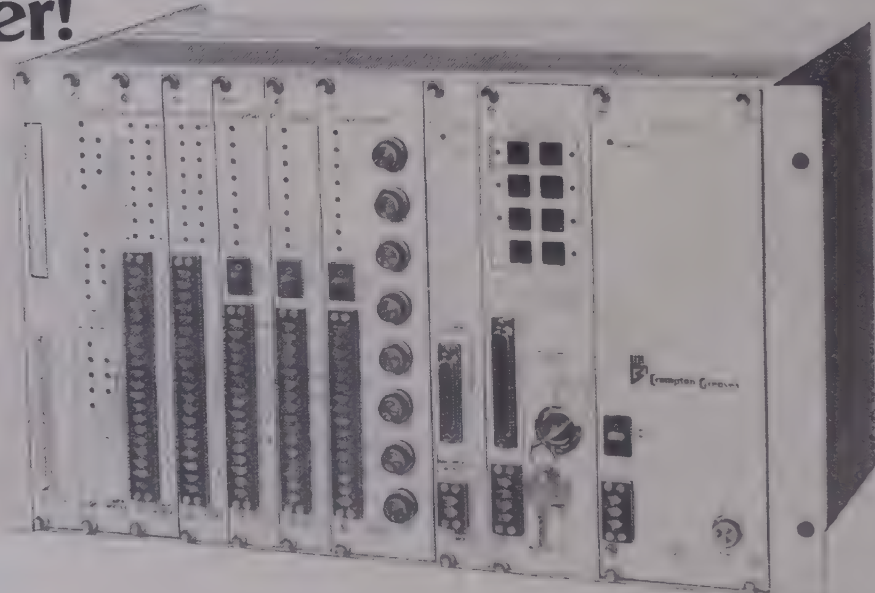

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pokesmen for industry e often blamed the government for spreading scarce ources too thinly. And, in ng to help everyone, it has ed up helping no one. s point of view has found unexpected champion: the nning Commission.

n its latest study of the intrial scenario, the commis has criticised the tenden o "spread resources thinly l effectively over a whole ge of industries." In its ce, the commission has ght direct government invention in 500 industrial erprises.

riteria such as value of ets, backward and forward ages, technological vine and size of the workforce uld be used to select target erprises, the commission gests. Specifically, the 'invention' should aim at hnological upgradation l optimal utilisation of reces.

eports in the economic ss do not mention which erprises are to be favoured h this treatment. But if t experience with government "intervention" is any inator (e.g. textiles, eneering, *et al*), the Planning mmission's cure might end worsening the disease.

C pact with ugoslav hamber

he recent agreement ned by the Indian Merts' Chamber (IMC) with Yugoslav Chamber of nomy, Belgrade, should a fillip to economic rela s between the two couns.

A part of the protocol deals h finance: the Yugoslav k for International Econic Cooperation will lend Industrial Development k of India (IDBI) $50 mil (Rs.65 crores) to finance orts of Yugoslav goods and services. The loan will be repaid by the State Bank of India, which will fund exports to Yugoslavia. A direct Bombay-Belgrade flight, and direct phone links between the two countries also form part of the protocol.

The IMC and the Yugoslav Chamber will try to identify areas of business cooperation, including joint ventures in third countries. Regular business meetings, exchange of delegations and participation in trade fairs are also in the pipeline.

Trade between India and Yugoslavia has risen threefold in the last three years — from $70 million (Rs.91 crores) in 1985 to $202 million (Rs.262.6 crores) in 1987. The present agreement is intented to accentuate the rising trend.

Operation Flood: the third wave

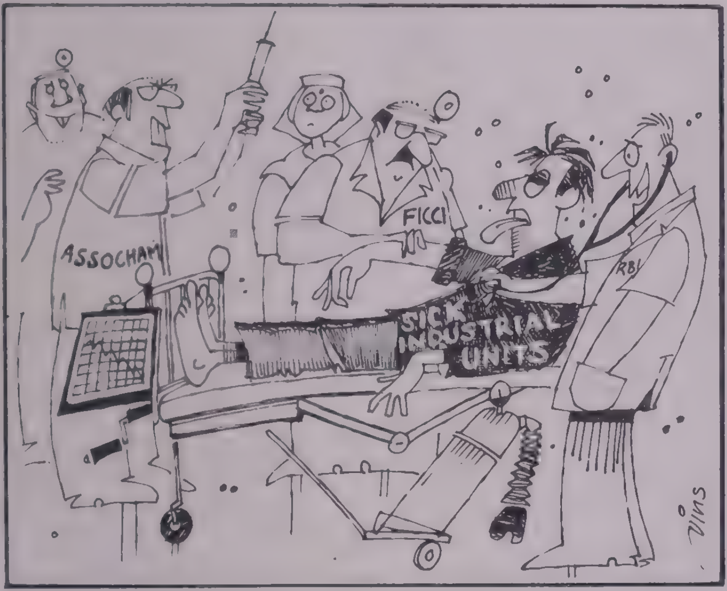
The controversial Operation Flood will continue. After much debate in India and Europe, the European Community (EC) has decided to support the third phase of this dairy development programme — Operation Flood III — which will be effective up to 1994.

With the programme, India will receive 75,000 tonnes of skimmed milk powder (SMP) and 25,000 tonnes of butter oil (BO). A part of the finance will be provided by the World Bank ($360 million or Rs. 468 crores), with the EC and the National Dairy Development Board (NDDB) chipping in with the rest.

A new feature of the third phase will be that imports from the EC will "not be used to depress the price and production of Indian milk and milk products," as the European Court of Auditors (ECA) has alleged. In a recent report, the ECA had claimed that "the Indian authorities have taken advantage of community donations" to depress milk prices.

A second new feature is that aid under the programme will be appropriately used. The ECA report claimed that under the previous phases, "the bulk of gifts of butter oil was sold as edible oil" and that "substantial quantities of skimmed milk powder were used to manufacture baby food."

That allegation presumably gave the EC donors food for thought. Hence the changes in Operation Flood III.



Sickness: one more diagnosis

The Associated Chambers of Commerce and Industry (ASSOCHAM) has suggested a package of measures to stem the growth of industrial sickness.

Among the measures ASSOCHAM recommends are changes in the MRTP and FERA Acts, to permit big companies to absorb sick units. The other measures include the constitution of a national fund to rehabilitate retrenched workers and retrain them, and the evolution of a mechanism that can detect sickness early.

The ASSOCHAM study — titled *Why Industrial Sickness*? — identifies certain weaknesses in the procedure used by the Board of Industrial and Financial Reconstruction (BIFR) to detect industrial sickness. The study points out that sickness is most pronounced in the case of textile units. Sugar, chemicals, jute and rubber were also victims of the contagion, the study says.

Industry: broadening horizons

The perception of India as a 'middle-income' — if not 'poor' — nation has sometimes concealed the fact that Indian industry has begun to make inroads into some parts of the world economy.

A recent study prepared by the Exim Bank titled *A Study in Identification of Potential Country Sector Combinations for Indian Joint Ventures Abroad* — shows that "substantial potential for joint ventures abroad exists, specially in the African and Asian region, and only a fraction of this potential has been utilised." West Asia and East Europe are also identified as favourable terrain for Indian joint ventures.

Among the sectors where India could strive to develop a comparative advantage are chemicals, pesticides, drugs, fertilisers, machine tools, auto ancillaries, textile and cement machinery, edible oils, electrical goods, construction and consultancy.

Sunday, while the world relaxes

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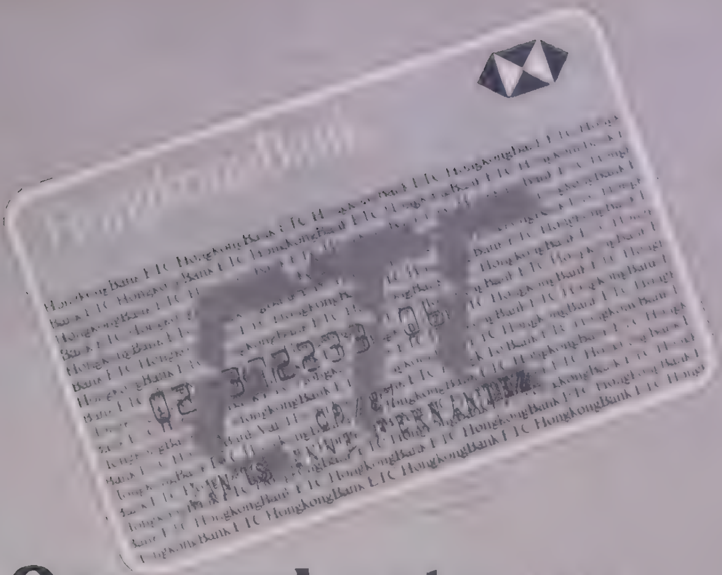

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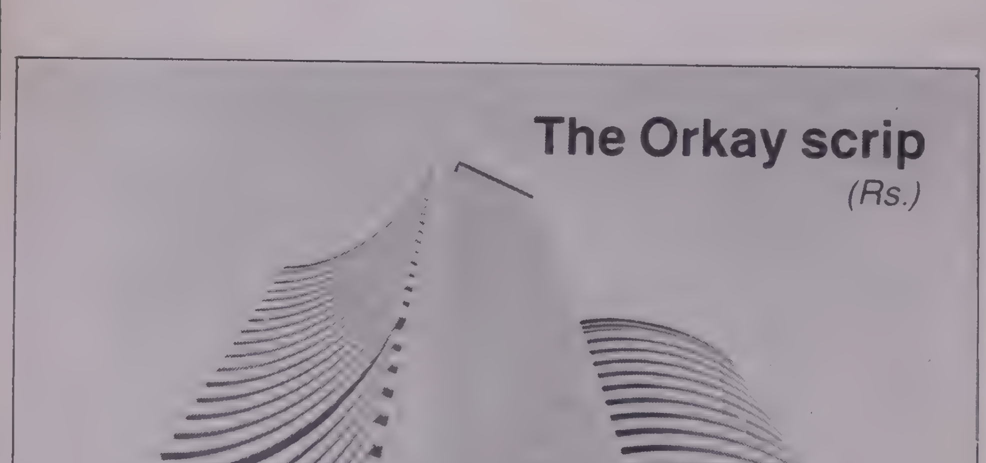
BusinessWorld
March 28—April 10, 1988

Is everything O(r)kay?

By SUTANU GURU

Orkay chairman Kapal Mehra claims that happy days are here again. With the rights issue having fared none too well, he probably has to. But a closer look at the beleaguered company reveals that everything is not rosy.



The Orkay scrip
(Rs.)

Source: Bombay Stock Exchange

Once bitten, twice shy — the message was loud and clear by the close of banking hours on 14th March 1988. Investors had given the thumbs down to Orkay Silk Mills Ltd., and its chairman Kapal Mehra. The company's Rs.17.65- crore rights issue found few takers; according to the stockmarket grapevine less than 50% of the amount offered had been subscribed. Proof came soon enough: a company communique announced the extension of the closing date of the issue from 14th March to 31st March, reportedly to give another chance to investors who have "accorded an overwhelming response" *(sic!)*. Whatever be the ultimate fate of the rights issue, few dispute the fact that Orkay has spelt bad news for investors in the recent past. Profits crashed last year. The Orkay scrip has followed suit, plummetting even more precipitously. From a high of Rs.206 in 1986, it has tumbled to around Rs.20 now. Claims of Rs.11.5 crores from the customs and excise authorities continue to dangle overhead like Damocles' sword. The company is also highly vulnerable since it relies heavily on one product line, polyester filament yarn (PFY), which is not the most profitable of lines to be in right now. A bleak scenario indeed.

But is it the end of the road for Kapal Mehra? Not quite. Even though the clouds have not dispersed, there is a sunny side too — a side that Orkay's management would most like the world to see. They have some figures on their side to prove that the company is back on the fast track. Unaudited results for the first eight months of 1987-88 (April-November 1987) indicate that net profit after tax has jumped to Rs.8.05 crores. Profits for the full year in 1986-87, on the other hand, were lower at Rs.7.85 crores.

The six-monthly results give a more comprehensive comparison. Sales (Rs.122.9 crores) were higher by Rs.11.3 crores. Excise duties paid (Rs.34.33 crores) were lower by Rs.9.87 crores. The net gain: Rs.21.2 crores. Gross profits doubled to Rs.14.66 crores, net profits jumped almost four times to Rs.7.30 crores. Very healthy results, and a dramatic improvement in financial performance by any yardstick. But, unfortunately, not many are willing to accept the figures at face value. As an ex-employee of Orkay puts it: "Nobody believes the unaudited results of Orkay any more. Investors have been misled once too often and are wary now."

That may be an unduly harsh judgement for the figures, but in the absence of the auditors' comments they do indicate a turnaround. Besides, the company has improved its profitability somewhat by concentrating on the production of high value-added varieties of yarn. Some of these, such as dope dyed yarn, fetch more than Rs.300 per kg as against the Rs.122 per kg for ordinary PFY. Also, around 5%-10% of the yarn produced by Orkay is exported with comfortable profit margins — the exact figures only Kapal Mehra knows. The fabrics division is eportedly doing well, with the company's Texo brand still commanding a premium. The curtain material produced by Orkay has also found a very receptive market.

AT THE CROSSROADS

Officially there seems something to crow about. But the vital question is: has Orkay turned around for good? Or is it a mirage after all? A few years back, such questions would have been laughable, for Kapal Mehra appeared to be an unstoppable juggernaut. But times change, and he now stands at the crossroads, his future as a top-notch industrialist at stake. The stockmarket seems to have decided already. Despite budgetary concessions that help Orkay's bottomline, its scrip value dipped further this month. And a stockbroker comments: "I won't be surprised if the scrip is quoted at par after some time." The people who bought the scrip at a heady Rs.206 certainly will be. Rs.1 lakh at that time is worth just Rs.10,000 now.

What went wrong?

Just about everything. Consider, first, the profits. Orkay was a money-spinner entirely because of PFY. When Orkay's PFY plant went on stream in 1982, demand was way ahead of supply. Prior to 980, the amount of PFY produced in India was insignificant. In 1981, both Reliance and Orkay managed to obtain licences to manufacture PFY. Both the companies' plants went on stream in 1982 and both made a killing by cashing in on the immense premium value of PFY.

In the year ended 31st March 1983, Orkay made a post tax profit of Rs.8.04 crores on a sales turnover of Rs.57.41 crores. The profit margin was estimated at a staggering Rs.57 per kg of PFY in those days. Next year, profits stood at Rs.2 crores. The drop was because the duty on polyester chips — then the main raw material — was doubled. In 1984-85, which was Orkay's first year as a public limited company, profits were very healthy at Rs.13.52 crores. But the writing on the wall was clear. Next year came the plunge to Rs.6.94 crores to be followed with a marginal rise to Rs.7.85 crores in 986-87.

This last figure merits more attention. According to Orkay's 1986-87 annual report, the company has changed its method of depreciation resulting in the charge being lower by Rs.3.51 crores. Furthermore, it has recalculated the de-

'I am a nationalist, not a capitalist'

In an interview to BusinessWorld *Orkay's chairman Kapal Mehra defends Orkay, himself and expounds his philosophy as an industrialist.*

■ **On Orkay's failed diversification ventures.**

It is not that Orkay is not keen on diversification. Only, the timing, the circumstances and the attitude of the government have not been favourable.

We had almost finalised a collaboration with the UK-based Sinclairs to manufacture electronics products and a three-seater battery-powered passenger car. The car, especially, was a good project because it would have cost just as much as a scooter and would have needed no petrol. However, Sinclairs went bankrupt and the project fell through.

As for our (purified terephthalic acid) PTA project, the Union government decided to give only one licence and that went to Reliance. But we are still in the run for a joint sector PTA project with MRF.

In leasing, we have already set up Orkay Leasing. The norms pertaining to leasing are not very favourable now. When they are modified our leasing project will also fructify.

■ **On Orkay's proposed diversification into anti-cancer drugs in collaboration with Cetus Corporation of the US.**

The future lies in futuristic ideas. Besides, drugs are vital, life-saving requirements for 40 lakh cancer patients in India. The collaboration with Cetus Corporation will be profitable (and hence satisfy shareholders) as well as in keeping with national priorities.

I cannot say when the drugs will be made available (in India). The drugs are being tested in the US and the process has reached the final stage of approval by the US Food & Drug Administration. Once that is over, we can use them in Indian hospitals.

■ **On Orkay's debacle in the stockmarket.**

Who hasn't been hit? You see, when it starts raining, everybody gets wet. The sentiment in the stockmarket is not favourable right now. To go back in time, the turning point came when the conversion of Reliance's non-convertible issue was disallowed in 1986. Then came the announcement that investment allowance will be discontinued. That's when the market sentiment changed decisively.

And frankly, the stockmarket is misbehaving. The intrinsic value of the Orkay share is more than the price. Surely, there's no logic in it.

■ **On why he renounced his share of the rights convertible debenture issue in April 1986.**

The sole purpose was to raise money for the leasing project to finance Rs.25 crores out of the proposed equity of Rs.100 crores. I did not sell my rights because I didn't have faith in my company. In fact, I put my money back in the stockmarket to shore up the equity price of Orkay.

■ **On his philosophy as an industrialist.**

I am a nationalist, not a capitalist. Nor am I a trader. We must have a broader national perspective rather than a mere assessment of balance sheets. We are all warriors in an economic war. To fight it, we all must sacrifice, including the government. The first thing that the government should do is to reintroduce investment allowance. Second, it must remove duties on capital goods. Capital goods are the engine of growth. They are the seeds which sprout plants tomorrow. By imposing taxes on them, you are eating the seeds. How can you expect growth with such a policy?

preciation for the four preceding years, resulting in the surplus being overstated by Rs.4.88 crores. The net result of these changes, all perfectly legal, incidentally, is that both profits and surplus look brighter.

WHY PROFITS CRASHED

Why this crash in profits? There are three reasons, actually. First, is the increase in costs of production. While Orkay's sales increased from Rs.141 crores in 1983-84 to Rs.243 crores in 1985-86, manufacturing and other expenses rose from Rs.85.75 crores to Rs.160 crores. In 1986-87, there was a Rs.28-crore decline in manufacturing expenses but there was a corresponding Rs.15-crore fall in sales. Nor do the latest figures augur any better. Half-yearly results for 1987-88 show that while sales have increased by just 10%, costs have gone up by a whopping 22.6%.

While rising costs have squeezed profit margins, the PFY market is no longer propelled by scarcity. Demand growth has plateaued and with a number of new units going on stream, manufacturers have been finding it hard going. Many of these units have unsold inventories of more than a month's production — which works out to more than 750 tonnes of PFY in Orkay's case. Prices have also gone down as a result. Currently, PFY sells at Rs.122 per kg. Inevitably, this has affected the bottomline.

If the market has been unkind to Orkay, the Union government has been equally harsh. Import policies were changed frequently, and these have often hurt Orkay. For instance, polyester chips — Orkay's basic raw material in the early eighties and an imported commodity — was made more expensive by hiking the customs duty from 125% to 170% in 1982. Orkay reportedly lost out on Rs.2.23 crores of additional profits. The duty was again hiked to 250% in 1983. Orkay lost another Rs.7 crores.

That was bad enough. What really did more damage as far as the stockmarket is concerned was Kapal Mehra's arrest and imprisonment during the Diwali of 1985. Says Jamnadas Moorjani, president of the All-India Crimpers' Association: "That was when the aura around Mehra as a brilliant industrialist started to fade. And people began asking questions." As subsequent events proved, Orkay did admit to evasion of taxes and was fined Rs.11.5 crores, an amount yet to be paid.

The crunch finally came when the results for 1985-86 were announced. Profits had crashed from Rs.13.5 crores to Rs.6.94 crores. The dream was more or less over. Profits have never recovered significantly since.

Yet, there was a way out — the tricky but often successful path of diversification. Indeed, Orkay has periodically announced diversification plans — but none of them has fructified. The list of announced projects include: passenger cars, PTA, petrochemicals, chemicals, computers, consumer electronic products, leasing and high-tech drugs. Unfortunately, not a single one of these projects has fructified (see box p.41). sans diversification, the company continues to rely on PFY with more than three-fourths of its sales turnover being dependent on this single product. And, as a spokesman of Orkay recently announced to the media: "Demand has certainly increased, but yarn prices are not yet what we would like them to be." In other words, the margins are insufficient to make substantial profits. And, the unanimous opinion in the industry is that there is little possibility of yarn prices improving in the near future. This, in turn, means that the chances of improved profitability are not particularly bright for Orkay.

The budget pick-me-up

The yarn manufacturers have harvested a rich bonanza from the budget of 1988-89. The effective excise duty on polyester filament yarn (PFY) has been reduced by Rs.27.63 per kg; that on PSF has gone down by Rs.9.34 per kg.

Will Orkay benefit? Not directly, since the cuts in excise are being passed on to the consumer. However, if the lower prices boost demand, profits may improve and Orkay could be a beneficiary.

Orkay will, however, be only a minor beneficiary compared to Reliance, which manufactures both PSF and PFY.

And thereby hangs a tale. Time was when Reliance and Orkay were at daggers drawn and the Dhirubhai Ambani-Kapal Mehra feud was billed as the corporate battle of the century. In the early eighties, when customs duties on polyester chips — Orkay's raw material — were upped twice in 1982 and 1983 to exorbitant levels, corporate insiders saw the hand of Ambani behind these changes, which hit Orkay where it hurt most: the bottomline.

Shortly thereafter, the boot was on the other foot. When Reliance shares came under severe selling pressure in 1984, it was Mehra who was widely seen as delivering the counter-punch.

All that's history now, and the feud that's moved centre-stage in recent years has been the Reliance-Bombay Dyeing one. In the bargain, the Ambani-Mehra war has been reduced to a sideshow. And, ironically, the recent budget duty cuts for synthetic yarn — widely perceived as being the result of Ambani's lobbying power — finds the erstwhile combatants as the joint victors in the battle for fiscal concessions.

SHATTERED CREDIBILITY

But, Orkay is not the first and will not be the last company to go through a bad phase. If Mehra is facing a lot of flak today, it is not entirely because of low profits. More important is the shattered credibility. Too often has he promised too much, only to disappoint subsequently.

When Orkay went public in November 1984, it was already a company with a name. The public issue was oversubscribed 20 times and the scrip soon became one of the hottest properties around. It was almost as if nothing could go wrong with Orkay. Manufacturing PFY was in those days considered to be as good as a licence to print money.

The first annual general meeting of Orkay as a public limited company; held on 11th September 1985, was an outstanding success. While going public, Orkay had promised a dividend of 15%. The actual dividend paid was 25%. Shareholders were buoyed and, in a flush of enthusiasm, Mehra announced: "Barring anything unforeseen (in the coming years) your company should be in a position to have a turnover exceeding Rs.230 crores, and the gross profit exceeding Rs.23 crores... Permit me to state that, at the cost of being over-optimistic, I see a brighter year to follow this bright year, and a dividend for the current year of 30% is likely."

Unforeseen circumstances did crop up and Mehra did turn out to be over-optimistic. But not before Orkay, as Moorjani says, "misled the investing public once again."

In April 1986, Orkay launched a convertible issue of rights debentures to collect Rs.24 crores. At the time of the launch, a rosy picture was painted for the year 1985-86. As Moorjani says: "By the time the convertible debenture issue was offered, the Orkay management must have known that the company's financial performance was far from healthy. Yet, the investors were offered no clue at all. In fact, all along, the management conveyed the impression that a higher dividend would be

Promises, promises...

One thing that no one can accuse Kapal Mehra of is lack of imagination. If his paper plans — and their numbers are legion — had borne fruit, Orkay would today have been a highly diversified giant manufacturing purified terephthalic acid (PTA), passenger cars, computers, chemicals and high-tech drugs. It would also have been a major force in leasing and consumer electronics. But, strangely, given such imaginative leadership, Orkay is still bogged down in its traditional manufacture of polyester filament yarn (PFY) and fabrics.

There is little doubt that diversification is the key to prosperity, and perhaps survival, for Orkay. The reasons: more than three-fourths of Orkay's sales come from polyester filament yarn and the market for it can hardly be called healthy at the moment. No doubt, there was a time during the golden years of 1983 and 1984 when PFY used to sell at more than Rs.300 per kg. Right now, however, the product fetches much less — around Rs.122 per kg. Worse, the market is getting crowded. There were just three to four companies manufacturing PFY in 1983-84. Their ranks have since swelled to eight now. Other manufacturers such as Century Enka and Garware Nylon have cushioned the PFY slump by falling back on their other divisions and products. But Orkay has had no such option. Nor have its diversification plans progressed much beyond the drawing board stage.

It's not that Mehra has been lackadaisical about diversification. He hasn't. As far back as late 1984 and early 1985, while the going in the PFY industry was still good, he was talking of multi-crore diversification plans. Speaking at the company's annual general meeting on 11th September 1985, Mehra announced a Rs.300 crore investment programme and said: "We are envisaging plans for more pronounced backward integration in the field of chemicals. Electronics is another idea which is under active consideration and negotiations with our collaborators have reached an active stage."

The backward integration plans never moved forward and the electronics project collaborator (Manu Chhabria) ultimately never got around to collaborating.

At the next annual general meeting, newer plans were unveiled. "I would not hesitate in saying that a financial services and leasing company promoted by Orkay... with an equity base of Rs.100 crores, with all the formalities completed and with a substantial stake of the promoters, is in the offing, hopefully by the year-end." The year-end came as scheduled, but of the leasing and financial services company, nothing further has been heard.

HUMAN
INTERLEUKIN-2
cetus

Cetus: the last hope?

Government's doing. Yet another project which never saw the light of day was the one to manufacture PTA. Here, however, the blame cannot be laid at Mehra's doorstep because the project's undoing was the government's doing. Many corporate observers, in fact, see the hand of Reliance Industries behind the fact that Orkay didn't get a licence to manufacture PTA. A former Orkay employee who refused to have himself identified, says,"It was the clout of Reliance which prevented Orkay from getting a licence."

While the demise of the PTA plans is understandable, Mehra's explanations for the failure of his other grandiose projects have been less than convincing. Commenting on the aborted computers venture, he said: "The collaborators (Sinclairs of the UK) were not doing too well in their own country. Hence the caution." About the passenger car project — plans for which died an unsung death — Mehra had an even more ingenious explanation for abandonment. "Our collaborators were pushing towards a sports car whereas we were looking for a rough and tough taker *(sic)*." Why? "Because the car project was in keeping with our idea of doing business with the needs of the country in mind."

In an interview to *Technocrat* magazine, Mehra dilated further on this aspect. "The need of the hour is essentials *(sic)*. They (the essentials) are not necessarily TVs, videos and electronic goods. On the other hand, clothing, drugs and pharmaceuticals are required as a means to improve our basic lot."

Tantalising prospect. Which brings us to Mehra's last and, possibly, most cherished diversification plan: biotechnology. Orkay has announced a collaboration with the US-based Cetus Corporation to produce anti-cancer drugs such as interferon and interleukin-II. Notwithstanding the controversy raging in the US about the safety and/or utility of these drugs in combating cancer, Orkay seems confident that this project will prove to be the exception to the rule.

Others are less confident and some even suspect that the Cetus collaboration is nothing more than a ruse to wangle more money out of investors by dangling the tantalising prospect of a high-tech nirvana for Orkay. Says a disbelieving stockbroker: "Who wants to burn his fingers all over again? Investors have become wiser and will no longer swallow the bait offered by Mehra." According to this broker, Orkay announces ambitious diversification plans to gain the investors' confidence whenever it shows signs of waning.

While there is no need to write the Cetus collaboration off like the other aborted diversification plans, the fact is the project is still hanging fire and the Union government is still to grant approval. But going by past records, the skeptics can be forgiven for suspecting that the next AGM's announcements may submerge the drugs project too.

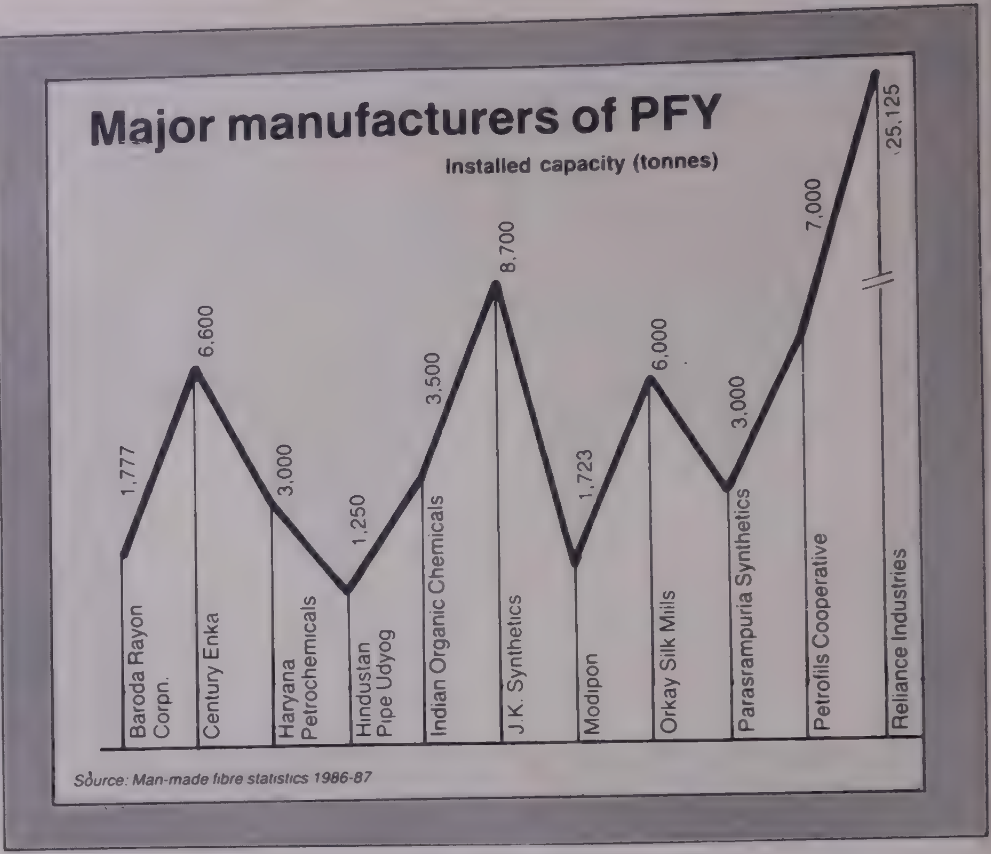
paid.” As things turned out, profits crashed to Rs.6.9 crores — nowhere near the Rs.23 crores promised by Mehra. And, the dividend was maintained at 25%.

That was not all. Mehra and close family members had renounced their share of the rights debentures — a premium issue — and played the stockmarket to shore up the price of the Orkay share. The disclosure of this fact created an uproar and Mehra's credibility slipped another rung. But he had an explanation to offer to shareholders at the next AGM. Said Mehra: “There is no doubt that we have renounced our rights for convertible debentures. We renounced these rights with the sole intention of making a base in our investment companies so that, in course of time, when we come with a huge financial services and leasing company, we would be able to subscribe to the 24% that would be required from the promoters' block... This renunciation was also done to gradually bring down our shareholding to 24% so that free movement vis-a-vis MRTP regulations would be made *(sic)* and this would be in tune with the government thinking of broadbasing the public interest in the company.” Mehra promised a financial services and leasing company with an equity base of Rs.100 crores by the end of 1986.

TELLING INDICATOR

The surprising thing in all this is the fact that the Orkay scrip managed to stay overpriced for a long time. In fact, the price fluctuations of the share are a telling indicator of what has been happening to the company since 1985. Soon after going public, the share price shot up to Rs.100. It continued to rise till October 1985 and on 1st November 1985, the price was Rs.164. Then Mehra was arrested and the price crashed to Rs.117 within a fortnight.

However, Orkay was still a profitable company and the scrip recovered fast. The upswing continued in 1986 with minor fluctuations and by the end of June, it crossed the Rs.200 mark. That was when everybody was expecting Orkay to do very well and announce a higher dividend of 30%. After the 1985-86 results were announced, the decline began. Surprisingly, the scrip held ground till October 1986, when it hovered between Rs.150 and Rs.160 — a very high price despite unfulfilled promises. Explains a broker: “The price was kept high artificially. What do you think happened to the war chest which Kapal Mehra collected after renouncing his debentures? That money was spent, rather wasted, trying to prop up the share price.”



Source: Man-made fibre statistics 1986-87

By early 1987, the price had dipped below Rs.100 and was on its way down. By April 1987, it was clear that 1986-87 would be as bad as the earlier year. And the final crash came swiftly. From Rs.70 in the fourth week of April, the price declined to Rs.44 in the first week of May. Now, of course, it is quoted between Rs.18-22.

Can Orkay bounce back? Mehra feels it can: “Profitability has improved. The company is today manufacturing high value added products. These include speciality yarns such as dope dyed, bright yarns like trilobal and pestalobal, space-dyed yarns, and recently developed silks like low-denier and intermingled yarns.” According to the Orkay management, the company's range of fabrics and curtain material have also substantially added to the profitability. Further, it is claimed that Orkay is emerging as one of India's largest exporters of remunerative synthetic fabrics.

All this is true. But there are still questions. “Throughout the year, yarn prices have not increased substantially,” says Moorjani. How can profitability increase? Besides, Orkay doesn't manufacture significant quantities of speciality yarn.” The ‘happy days are here again’ refrain may well change when the full year's results are unveiled.

But hard reality is reflected not just in Moorjani's statements. A close analysis of the annual report for 1986-87 reveals much more. First, the profit of Rs.7.8 crores, or at least most of it, is merely on paper. If the depreciation norms had not been changed, actual profits would have been Rs.4.3 crores.

Second, the associate concerns of Orkay — controlled privately by the Mehra family — have reneged on the repayment of loans totalling Rs.34 crores. And these concerns have been more or less amalgamated with Orkay with their assets being acquired by the company. On paper, the assets are worth almost Rs.40 crores — giving a healthy colour to the balance sheet. In reality, perhaps only the Mehra family knows their true worth.

So much for the actual operations of Orkay. All is not hunky-dory on the management front either. Kapal Mehra and C.K. Parkash have reportedly been at loggerheads since late 1986 — though both prefer to keep mum about it. Prakash was shifted from the deputy managing director's post to that of a vice chairman — probably an ornamental post. While the sidelining of Parkash has major implications for Orkay's future, what is more crucial is Mehra's response to the challenges ahead. If he can take the company successfully along the path of profitable diversification, he could earn the goodwill he has lost among investors. At the moment though, that ‘if’ is a big IF.

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Indianising western concepts

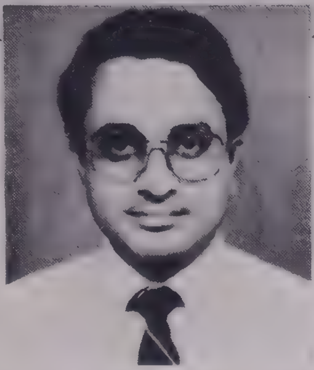
RAMESH KUMAR

The Indian marketplace is, in effect, two marketplaces: one relatively urbanised and consumerist and the other relatively rural and, by implication, less consumer-oriented. Given the schizophrenic nature of the marketplace, it is not surprising that two opposing marketing strategies — branding and 'commoditisation' of products — have been adopted by the manufacturing sectors catering to the growing demand for various products, especially mass products such as matches, detergents, bathing and washing soap, biscuits and cheap chocolates. The question that arises is: in the emerging battle between 'expensive' brands and 'cheap' commodities, who will win?

The answer: whichever marketing strategy is more attuned to the Indian environment. If the answer seems a bit too general, the reason for it is simple: marketing is an environment-related science and as such, marketing concepts evolve within — and relate only to — their own respective environments. Imported marketing strategies certainly have their place, but they cannot be adopted blindly.

The most basic difference between the western and Indian environments is that in general, western economies operate more on free trade principles whereas in India the economy is partly state regulated. As such, some amount of preferential/protective legislation for the small-scale sector is inevitable in the Indian context. Such protective legislation has taken various forms, the most important of which are the levying of a lower rate of excise on small sector products and the freezing of production capacity in the organised sector companies (e.g. matches). Such restrictions clearly underscore the point that in the Indian market all marketers do not compete on an equal footing.

By initiating an era of 'commoditisation of products' the unorganised sector has started denting the shares of major product brands



The second major difference between the western and Indian marketing environments is the underdevelopment of consumerism in India. While consumer awareness has been growing over the years, it is nowhere near the levels it has reached in the West.

Given a consumer who is not very discerning and legislation which is partly protective, marketing strategies have developed differently in comparison to the West. On the one hand is the organised sector, catering to a smaller, relatively urbanised and discerning consumer group by adopting a 'branding strategy.' At the other extreme is the unorganised sector, catering to a larger, relatively ruralised and less discerning consumer group by adopting a 'commoditisation strategy.' Under this strategy, small-scale manufacturers float the same (or similar) products under different labels and makes no effort to establish any particular brand in the market. This strategy is the exact opposite of branding.

Given the preferential rates at which these products are taxed, they obviously have a major price advantage over the organised sector. By initiating an era of 'commoditisation of products' the unorganised sector has thus started denting the shares of even major product brands, that is if the total market (organised and unorganised) is considered.

The creation of multiple labels has been largely successful for three main reasons:

☐ The demand gap. With brand leaders being unable to meet the entire demand due to production restraints, the unorganised sector has stepped in to fill the gap.

☐ Multiple labels are a good way of keeping excise levies low. Since excise levies are imposed on a sliding scale that increases with production, small sector manufacturers float several labels through several manufacturing companies to keep production in each unit low. This also makes excise evasion easier.

☐ Multiple labels help in boosting sale by letting small volume labels ride piggy back on large volume labels.

Examples of successful 'commoditisation' strategies are available in several product categories, including biscuits, chocolates, matches, detergent powder and bathing and washing soaps. It is no strange coincidence that these products happen to be among those categories which rely on relatively simpler manufacturing technologies which the small sector can either replicate or substitute by hand-made operations.

To succeed in this environment, therefore, the Indian marketer has to bear the following in mind:

☐ He has to define his market very clearly and in greater detail in terms of the existing size and future scope of the branded and non-branded segments. The sales team can be of valuable help in determining the latter.

☐ He has to recognise that since purchasing power and consumerism are weak ,only a portion of the price and volume segments can be tapped by branding strategies (in contrast to western markets). The balance may well fall a prey to 'commoditisation' strategies.

☐ In the absence of free competition (due to various production restraints) market share will never correctly indicate the size of the total market, particularly that of the unbranded segment.

☐ To the extent possible, in the case of a brand that is likely to sell in large volumes, one has to ensure that there is an intrinsic USP in the brand and that the manufacture of the product depends on a technology that is difficult to replicate, especially by hand-made methods.

In conclusion, it can be seen that in the Indian marketplace concepts like branding and market share analyses play a different and more limited role than in the West. In the ultimate analysis, the Indian market presents a rare paradox. In most non-durables our per capita consumption figures are among the lowest in the world. This seems to suggest a market potential for large volume growth by expanding the market (brand leaders, please note). And yet, given the weak purchasing power, branding strategies (unlike in the West) may be able to tap only a portion of the price-volume segments in the Indian market.

Serving aces

ACE DESIGNERS

Executives who give up comfortable perches to venture out as entrepreneurs are a growing tribe. Not all succeed. But among the few who have made it is a Bangalore-based team of machine tool designers who operate a partnership concern, Ace Designers.

Ace Designers began as a consultancy firm and quickly graduated to the design and manufacture of computer numerically controlled (CNC) lathes and CNC chuckers. It may now be said to have come of age having bagged the 1986 national award (first prize) given to outstanding entrepreneurs in the small-scale sector.

The men behind Ace Designers — A.V. Sathe, S.G. Shirgurkar, and B. Machado — were employed in the Central Machine Tool Institute (CMTI), Bangalore. CMTI is an R&D set-up under the Union government which offers design, tooling, manufacturing and testing services to the machine tool industry. Sathe (48),an M.Tech from IIT, Bombay, was the first among the trio to quit CMTI, where he had risen to the position of assistant director, machine tool design.

Sathe, together with an industrialist friend from Ichalkaranji in Maharashtra set up a small scale unit in Bangalore called Pragati Engineering Works which today manufactures copy turning attachments, electric upsetting machines and bar shearing machines. Two years later, at the end of 1979, Shirgurkar and Machado, both machine tool designers — and contemporaries of Sathe at CMTI — put in their papers. Their departure was prompted by the lassitude that had crept into CMTI in the aftermath of a strike over a trivial issue, as one of them puts it. Shirgurkar (39) is a mechanical engineering graduate of Bangalore University. Machado is also a mechanical engineer: he is a product of the Karnataka Regional Engineering College, Suratkal. Both Shirgurkar and Machado joined CMTI in 1970 as trainee engineers.

WORKING TOGETHER

The two got their first design assignment outside CMTI when Sathe, who had by then set himself up as an independent entrepreneur, sought their help in designing a turret lathe for a small machine tool manufacturer in the private sector. At the time Shirgurkar and Machado were still with CMTI. "In our free time we assisted Sathe in coming up with a turret lathe design and while we were working together the idea of formalising our association struck us," recounts Shirgurkar.

Shirgurkar: small beginning

In November 1979 Ace Designers was born as a partnership concern specialising in machine tool design. It initially operated from Shirgurkar's garage. Over the next two years, Shirgurkar and Machado (Sathe was preoccupied with his own firm) managed to design, on assignment from various firms, six different machines. Among them: a copy turning lathe, a surface grinder, a valve-seat grinding machine, a horizontal multispindle machine, and a bench lathe. Unfortunately, but for the valve-seat grinding machine, none of their designs were converted into machines.

"It was all terribly frustrating. Designing for others was not a success. It required close and constant interface with the manufacturers who had bought our designs and this was not possible since they were all spread out. Some lacked in-house expertise to grasp our designs; others did not even try," recalls Machado. Luckily, recognising their talent, Kar Mobiles Ltd., Bangalore — a firm manufacturing engine valves, came to their rescue. According to Shirgurkar, Kar Mobiles had enough confidence in their ability as Ace had designed for them a valve-seat grinding machine which was subsequently manufactured by what is now an associate firm of Ace: Parishud Sadhan Yantra Pvt. Ltd. of Ghaziabad. Interestingly, Parishud was established by yet another ex-CMTI employee, V.S. Goindi.

Kar Mobiles' managing director, V.P. Aghoram, encouraged Ace Designers to take up production of special purpose machines (SPM) such as friction-welding machines, valve-straightening machines and pendulum grinders. The firm also helped Ace Designers financially, with the result that Ace successfully designed and manufactured, or rather assembled, these SPMS at a small rented shed in Jalahalli, Bangalore. The shed was also used to recondition old milling machines, lathes, grinding machines and the like.

Ace Designers got a major break when they displayed their friction welding machine, used in the cutting tool and automobile industry, at the IMTEX-82 exhibition in Bombay. Soon, orders for their special purpose machines started flowing in from the country's leading engine valve manufacturers: Engine Valves Ltd., Madras and Autofield Engineers Pvt. Ltd., Pune.

SOURED RELATIONS

With growing recognition and business, Ace Designers shifted manufacturing facilities to Peenya, an industrial suburb of Bangalore, in 1983. However, their relations with Kar Mobiles, their initial patron, soured somewhat when the company insisted that Ace should not offer their pendulum grinders and valve-straightening machines to anyone else. "We agreed and have abided by this commitment since but for Kar Mobiles' support we wouldn't have progressed this far," says Shirgurkar.

With investment in the engine valve industry dwindling from 1984 onwards, Ace Designers thought it time to shift the focus to general purpose machines. The same year, the firm came up with a hydraulic multi-slide turning machine of their own design. The only company making it in India was HMT Ltd., but their machine was of a different configuration. This turning machine, better known as an automatic lathe, has applications in the automobile, bearings and textile industries. It was a big success and so far Ace has sold 70 of them. As a matter of fact, until mid-1985, the automatic lathe was Ace's only product since orders for SPMS from engine valve manufacturers had shrunk considerably.

Ace Designers—landmarks

1979 : Ace Designers starts activity at registered office.

1980 : Machines designed — copy turning lathe, surface grinder, valve-seat grinder.

1981 : Reconditioning and manufacturing activity begun at Jalahalli.

1982 : Development of SPMS for engine valve industry. Took part in Imtex-82 at Bombay where friction welding machine was exhibited.

1983 : Manufacturing of engine valve SPMS. Shifted to Peenya industrial area. Auto lathe was developed and supplied.

1984 : Auto lathe production started. Selling agency to Micromatic Sales Corporation was finalised.

1985 : Development of CNC lathe.

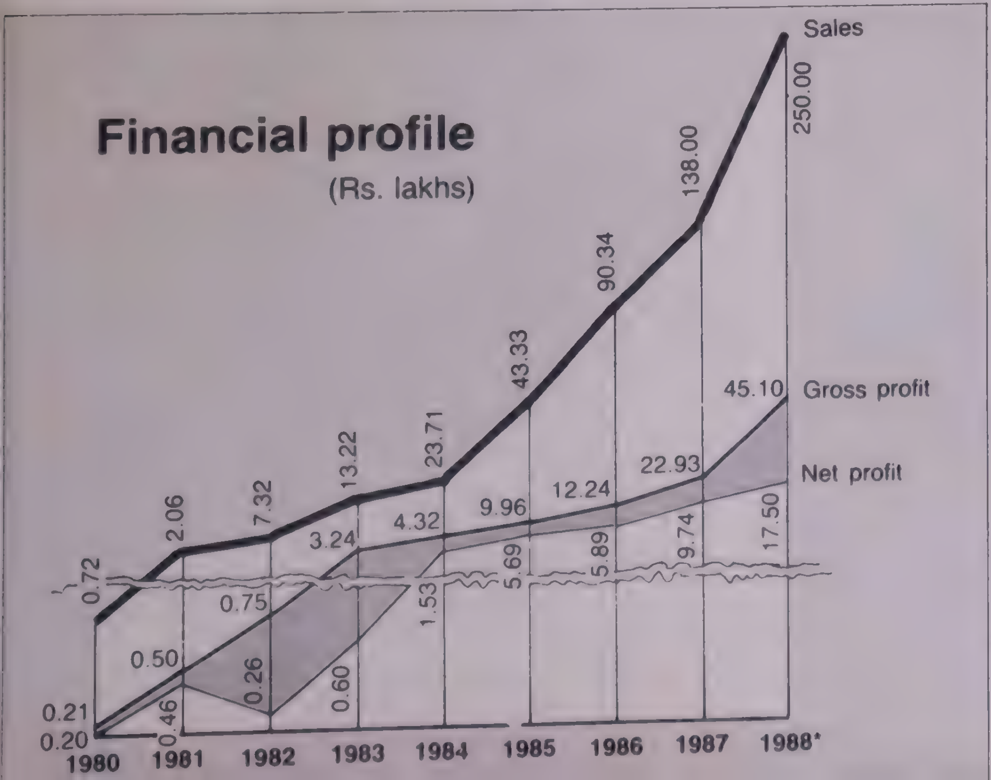
1986 : Took part in Imtex-86. CNC lathe, CNC chucker and auto lathe exhibited. Best Design of the year awarded to CNC Chucker at Imtex.

1987 : Won the National Award for small scale entrepreneurs.

At this point, Ace Designers decided to move into the design and manufacture of CNC lathes. One of the reasons was the liberalisation of import of CNC systems and other components by the Union government to give a fillip to the development of CNC machine manufacturing capability in the country. Recounts Shirgurkar, the principal spokesman of Ace: "Actually, we started designing a horizontal machining centre, used for milling, boring, drilling, etc. and were half-way through building it when we realised that we just couldn't complete it in time for the IMTEX-86 exhibition. So, we turned our attention to CNC lathes instead. One of our customers, QH Talbros Ltd. of Pune, was contemplating import of these lathes from Japan. We told them to finance us and we would offer the same lathes at half the price. They agreed and gave us an advance of Rs.3.5 lakhs. We made this machine, a universal CNC lathe with an eight station tool turret, as well as a linear indexing type CNC chucker and displayed both at IMTEX-86."

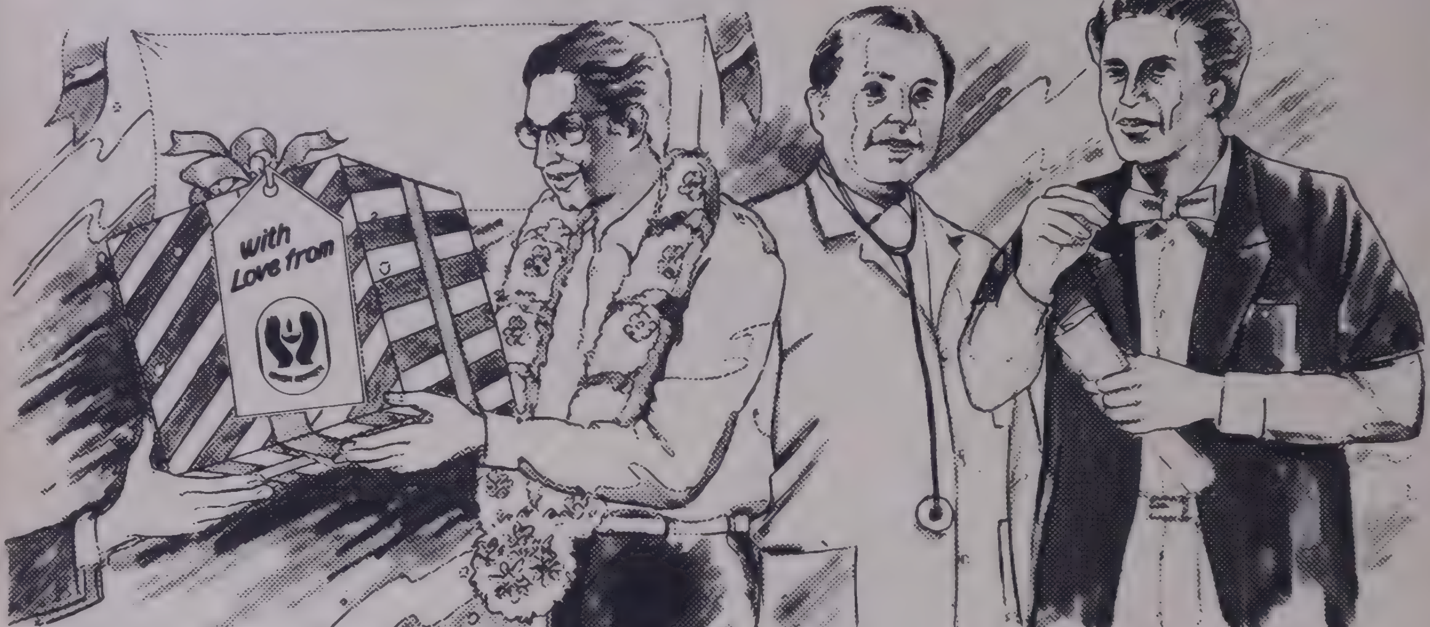
COMMITMENT TO STAFF

The CNC chucker which was designed and built in a record time of three-and-a-half months bagged the "best design of the year" award in the small-scale category at the exhibition. Ace is the only firm in the country to make this type of chucker and has so far sold six of them to companies such as TVS Suzuki, Ham Tools, ancillary units of the Enfield group and Lucas TVS. Presently, 85% of Ace Designers' products go to auto ancillaries and the remaining to the general engineering industry. The firm employs 64 people of whom 24 are engineers and 10 diploma holders. Such is Ace Designers' commitment to its staff that the entire prize money of Rs.25,000 that came along with the national award has been equally distributed amongst them.


Financial profile
(Rs. lakhs)

Ace Designers' products are marketed through a Ghaziabad-based

JEEVAN AKSHAY



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Sathe (left) and Machado. Inset: winning design at Imtex-86

shortly shifting to Delhi) concern cal-ed Micromatic Machine Tools Pvt. Ltd. Aicromatic, which has a staff strength of 35 and regional offices in Ghaziabad, Bombay and Bangalore, looks after the re-sale and after-sale functions of the hree firms which jointly own it: Ace Designers, Parishud Sadhan Yantra Pvt. Ltd., a Ghaziabad-based firm vhich makes cylindrical and centre-less rinding machines, and Sathe's Pragati Engineering Works, Bangalore.

With Ace's products fairly estab-shed in the marketplace, turnover has rown steadily, from a modest Rs.13.22 akhs in 1982-83 to Rs.1.38 crores in the ear ended 30th June 1987. Machado quoted earlier) is low key about the rm's success: "In the machine tool in-ustry it is difficult to operate at the ower scale. It's better to have every-hing in-house: foundry, processing and eat-treatment facilities. These we do ot have. But we are fortunate that in Bangalore we have good back-up service support available. What we have achieved so far is nothing spectacular. We are still small fry though we would like to grow and be known within the country and beyond its shores."

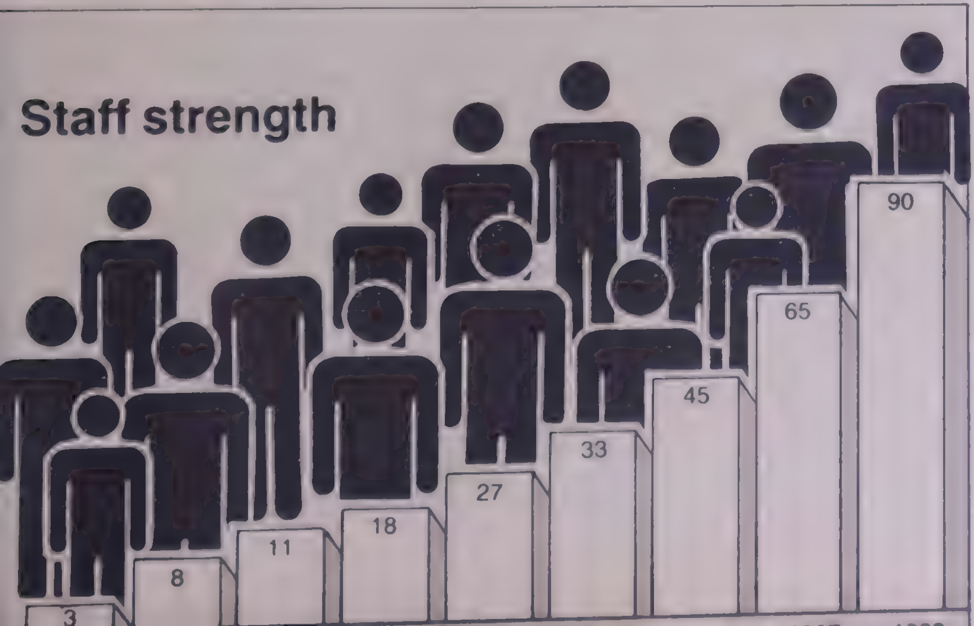
BUSINESS ETHICS

Ace's major strength stems from the fact that its promoters are experienced in machine tool design and manufacture. Secondly, its products are cheaper than its main competitor's, HMT. But being small can be a disadvantage too. As T.K. Ramesh (29), a mechanical engineering graduate of Bangalore University and Micromatic's regional manager, south, puts it: "Ace Designers' size and the fact that it is a partnership concern (that may soon change, though, for it is being converted into a private limited company) turns many a prospective customer away. Also, the firm staunchly believes in business ethics and that turns off customers who wouldn't mind our bending a rule or two."

Sathe, however, believes that this very "straightforwardness" has helped Ace grow over the years. "Maybe we lost a couple of orders because of our rigidity in these matters but, happily, none of our major customers — and we deal only with people at the top — required any "sweetening." And contrary to what is commonly made out, we had no problems whatever in obtaining finance from organisations such as the Karnataka State Financial Corporation, or for that matter from our bankers."

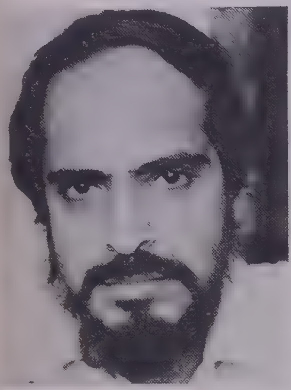
Ace's business prospects in the domestic market have improved with the recent ban on import of CNC chuckers; import of CNC lathes is already banned since quite a few firms in the country make them. Ace has also started tapping the export market which, according to Shirgurkar, looks "pretty good" because of the appreciation in the value of the deutsche mark and yen *vis-à-vis* the rupee. In addition, United States, the world's biggest market for machine tools has slapped quotas on import of machines from Japan, Taiwan and South Korea. Ace has already exported two automatic lathes, on a trial basis, to INA of West Germany, a well-known manufacturer of needle-roller bearings and more orders from this firm are likely. On the R&D front, Ace is reviving its project to design and manufacture horizontal machining centres, which had to be given up halfway earlier. "We will also be coming out with two-spindle CNC chuckers and a smaller version of our CNC lathe for the export market next year," says Shirgurkar. Evidently, Ace is one outfit that lives up to its name. Or tries to.

N. Raghavan in Bangalore



Bhopal: can the media be non-aligned?

DARRYL D'MONTE



A recent Penguin book on Bhopal by Sanjoy Hazarika, the *New York Times'* correspondent in Delhi for the last seven years, provides an opportunity to examine how journalists treat industrial accidents. According to the author, the ghastly gas leak was something that happened, despite the best intentions of all concerned to prevent such occurrences. In other words, he is prepared to be even-handed in his treatment of Union Carbide: to give it the benefit of doubt and weigh the advantages of the technology it brought in against the costs.

This "neutrality" on the part of the media (which American journals in particular subscribe to) is, on the face of it, fair. It seems to condemn no one till he is proved guilty, on the basis of the available facts.But is it really possible to be neutral on such issues? Or does the real worth of a journalist reveal itself in the commitment with which he takes sides, even without distorting facts to suit his purpose? Can a journalist be only a "reporter," transmitting news and views gleaned from sources other than his own perceptions, and stay "non-aligned" in the face of even immense human suffering and callous exploitation?

Hazarika is wholly committed to such neutrality. He writes: "The developing world in particular cannot do without the skills and resources of the MNCs (multinational corporations). Nor can MNCs do without the markets of the developing world, which are becoming accepted as necessary to global development. The issue is whether a balanced relationship can be worked out, one which takes care of the concerns of the other side." He doesn't pause to ponder whether the two are evenly matched.

UPPER HAND

There is reason to believe that the relationship is skewed, with MNCs having the upper hand. As a *Wall Street Journal* editorial pointed out: "It is worthwhile to remember that the Union Carbide insecticide plant and the people surrounding it were there for compelling reasons. India's agriculture had been thriving, bringing a better life to millions of rural people, and partly because of the use of modern agricultural technology that includes applications of insect killers ... Indians need technology. Calcutta-style scenes of human deprivation can be replaced as fast as the country imports the benefits of the West's industrial revolution and market economics." The *New York Times* quotes a US doctor as saying that if it weren't for pesticides, half of those who died in the gas leak wouldn't have been living anyway!

These statements, apart from underscoring the fact that the Third World needs the MNCs more than the latter need the former, are a thinly-disguised attempt to advocate the free import of western technologies. The London-based *Economist*, for instance, argued after the Bhopal incident that it was India's curbs on such imports which led to the tragedy since the factory lacked full safeguards. Can one really be neutral about the terms on which such know-how is imported and what its real — as distinct from monetary or technical — costs and benefits are? One has only to compare, as Hazarika nowhere in his book does, the fate of Latin American countries which have gone in for such free import with that of India to realise the difference.

Hazarika eschews any political analysis in favour of a "fair-to-both-sides" approach. In criticising both the Indian government and Union Carbide for not agreeing on a compensation figure for the victims quickly, he argues that such a settlement might have worked towards a "joint project to rescue Bhopal, assisted by major international support ... American management skills and resources married to Indian talents and sensitivities would have produced a rare child: a Bhopal reborn ..." Such faith, once again, reposed in the same source of technology which caused the havoc in the first place, is touching, but misplaced. It fails to see the blatant attempts of the multinational to avoid its corporate responsibility in compensating the victims fairly.

THE MANVILLE AFFAIR

One has to read accounts of what was till Bhopal the biggest case concerning industrial accidents in the world: that of an asbestos product manufactured in the US. Faced with mounting suits by victims, the American manufacturer, Manville, tried every trick in the book to escape liability. Interestingly, a book on this case written by Paul Brodeur (Pantheon, 1985) — which is also referred to in a recent tract entitled *Nothing to Lose But Our Lives*, brought out by the Hong Kong-based Asian Regional Exchange for New Alternatives — takes the *New York Times* and *Washington Post* severely to task for their role in the Manville affair.

In what seems a dress rehearsal for the reporting on the protracted Bhopal case, Brodeur writes about Manville: "This duel became a favourite topic of newspaper editorial writers, who, for the most part, failed to grasp the meaning and importance of the asbestos lawsuits." When Manville filed for bankruptcy to avoid claims, the *Times* editorialised: "Asbestos is a tragedy most of all for the victims and their families but also for the companies which are being made to pay the price for decisions made long ago." This is one of a piece with the *Times'* three-page spread in a Sunday issue in May 1985 on the "personal ordeal" of Carbide chairman Warren Anderson!

While the *Times* deserves credit for doing some detailed reporting after Bhopal on facts like the poor state of factory inspection in India, it is necessary to go much beyond such issues to questions like who was to blame for the tragedy, and why it occurred. Indian journalists have been at the forefront in such investigations and no attempt either to reconstruct what happened or to analyse the causes and consequences of the incident can fail to mention their role. For that matter, journalists and researchers who belong to the Centre for Science and Environment — their "State of India's Environment" reports are liberally cited by Hazarika in his general account of the country's environmental crisis — have been responsible for linking the entire question of development with natural resources, and hence to poverty. Unfortunately, many journalists like Hazarika still subscribe to the view that environment has mainly to do with pollution.

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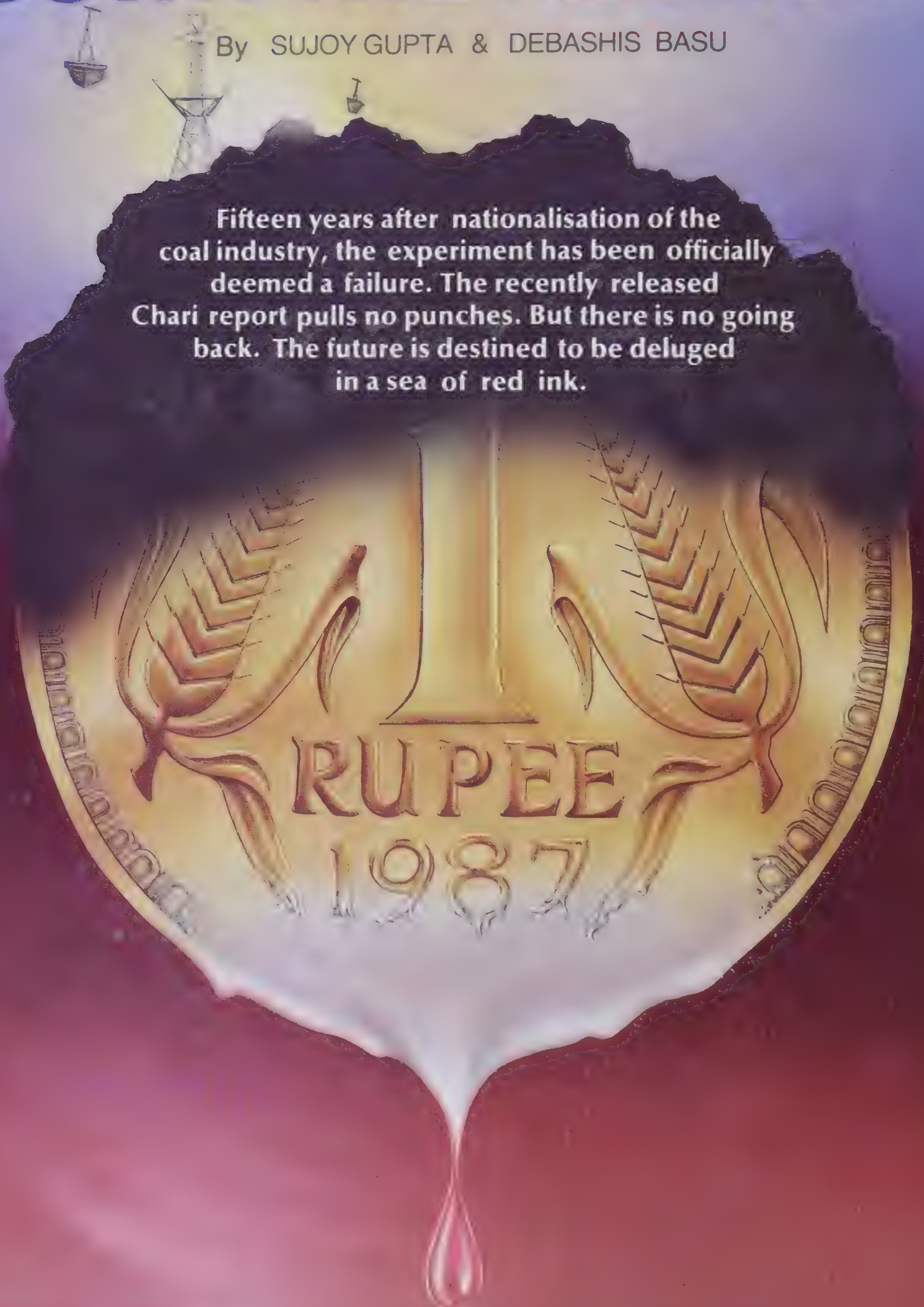
COAL INDIA

DOWN THE RED ROAD

By SUJOY GUPTA & DEBASHIS BASU

Fifteen years after nationalisation of the coal industry, the experiment has been officially deemed a failure. The recently released Chari report pulls no punches. But there is no going back. The future is destined to be deluged in a sea of red ink.



The public sector behemoth Coal India Ltd. (CIL — expected sales: Rs.3,500 crores in the year ended 31st March 1988) has a knack for staying in the ews as effortlessly as it notches up stag- ering losses (estimated accumulated ɔss: Rs.2,491 crores as on 31st March 988). Over the past few weeks, it is both IL's notorious "operational inefficien- es" and labour strifes which have prop- lled it onto the front pages of the busi- ess media. And a seemingly innocuous vent — the release on 16th February of monograph titled *Issues in Coal* written y retired coal secretary K.S.R. Chari 8) and published by the Union govern- nent's Advisory Board on Energy (ABE) – has shaken up the smug complacency hat pervades CIL's top managerial ranks.

The incisive and scathing study on In- ia's nationalised coal sector is being ead with respect because Chari (along ith the late Mohan Kumaramangalam) credited with having masterminded the oal nationalisation move announced on 6th October 1971. A mining engineer- g alumnus of Benaras Hindu Universi- , Chari is possibly the only technocrat have risen to the position of secretary coal and mines), a post he held with dis- nction for nine years. Without mincing ords or caring for the possible bruised gos of personae like CIL's incumbent hairman-cum-managing director G.L. andon — himself a distinguished mana- r and Padma Bhushan awardee — hari states his conclusion starkly: "The sks attendant on attaining a production vel of 417 million tonnes by the year 00 or 512-520 million tonnes by 2004- 05 are formidable. The growth rate ecessary to reach the required levels of tput year after year according to the esent plans is such that it cannot poss- ly be achieved nor can it be sustained, nsidering the manner in which tasks e being performed presently."

Last fortnight, Tandon was camping in ew Delhi apparently to confabulate th his ministry colleagues to firefight another front: unionism. From 7th arch, an INTUC-affiliated union led by ebrand Congress(I) MP P.R. Kumar- angalam (36) (ironically, he is Mohan umaramangalam's son) engineered strike which partially affected work CIL's 417 mines. Worse, six other un- ns from amongst the 19 recognised es called a six-day strike from th March which threatens to add a neat .110 crores to CIL's stupendous losses.

CUTTING INDICTMENT

Although it is understandable that ndon is currently finding the seat of , *supremo* to be too hot for comfort, fact is that Chari's analysis is a cutting indictment of governmental failure to fulfil the promises made at the time of nationalisation rather than a condemnation of an individual's managerial competence. Oddly, Tandon reacted hotly to Chari's unfavourable observations and, as quoted in *Financial Express* (21st February), dismissed the latter as "motivated." The plank of Tandon's defence, as reported, is that the government's post-nationalisation coal policy is "flawed" in that it neglects the development of "managerial functions," amongst others.

Nobody, of course, disputes that the coal sector is in a mess. Way back in February 1985, prime minister Rajiv Gandhi, still fresh from his resounding election victory and brimming over with ideas, had declared at Sindri in the heart of coal-country that his government was "very much concerned over the present state of affairs in the coal industry." Admitting that "the problems had been dealt with superficially," Gandhi promised a revamp of the industry "after making a thorough probe." The Chari study commissioned shortly thereafter can well be reckoned as the fulfilment of Gandhi's promise

Given that CIL represents 87% of India's Rs.4,200-crore coal sector, it is but natural to accept that the state of CIL's health also reflects the health of this core sector industry. And here, the figures are alarming.

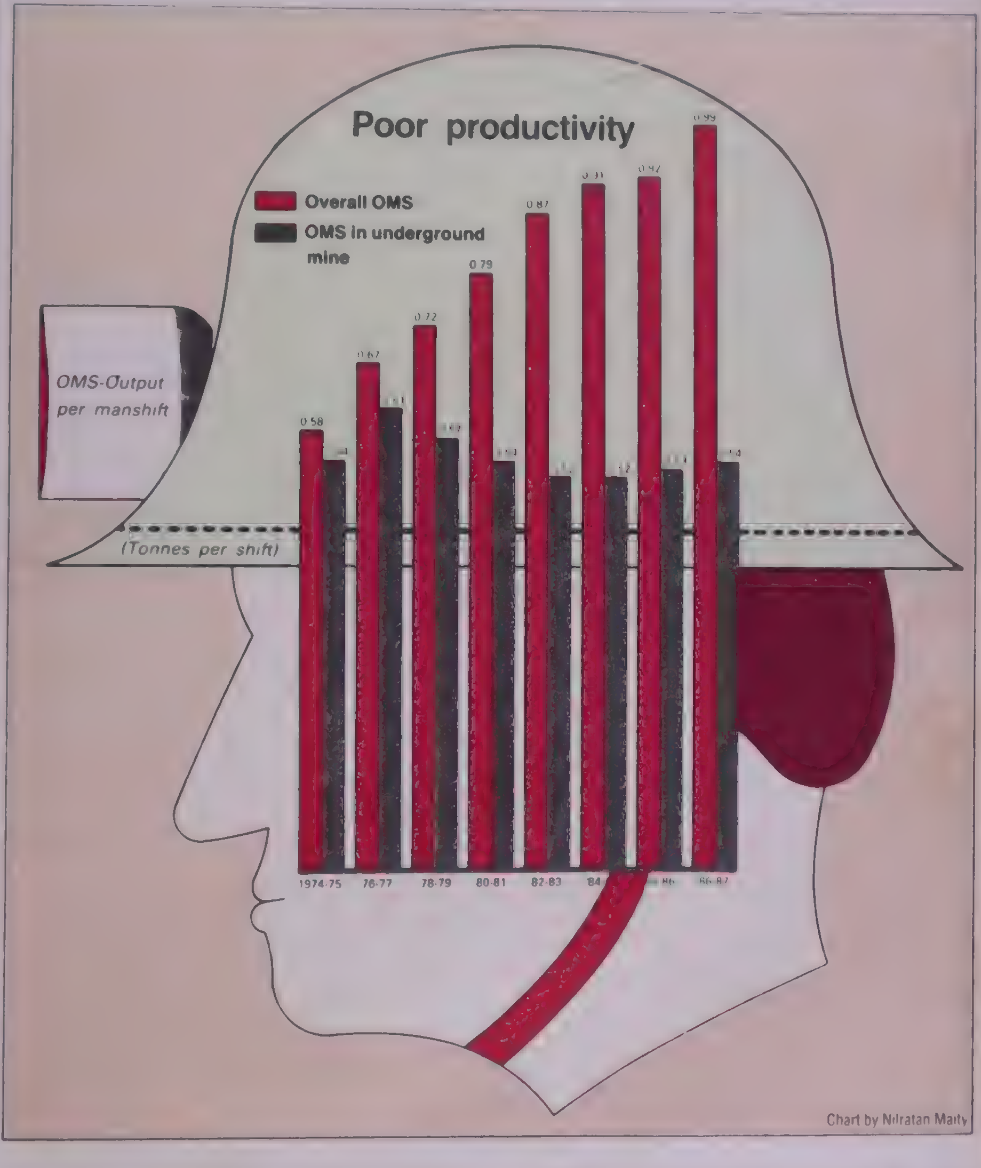


Chart by Nilratan Maity

Productivity measured in output per man-shift (OMS) has increased all too slowly while that in underground mines (which accounts for about 40% of production) has stagnated (see chart). Although overall production in volume terms has upped by 60% in the past decade, the nation has paid dearly for this privilege. Notwithstanding seven price hikes since nationalisation, CIL's aggregate losses have galloped to a mind-boggling Rs.2,491 crores — not the least because the company is collapsing under the weight of carrying a bloated muster of 6,75,115 employees on its rolls. Indeed, the 15% price hike announced on 22nd December 1987 which will raise Rs.400 crores a year by picking the pockets of countless end-users, including the poorest of the poor, will only serve to raise money to pay higher wages to CIL employees, of whom at least 1,00,000 are surplus by conservative estimates.

DISPASSIONATE ANALYST

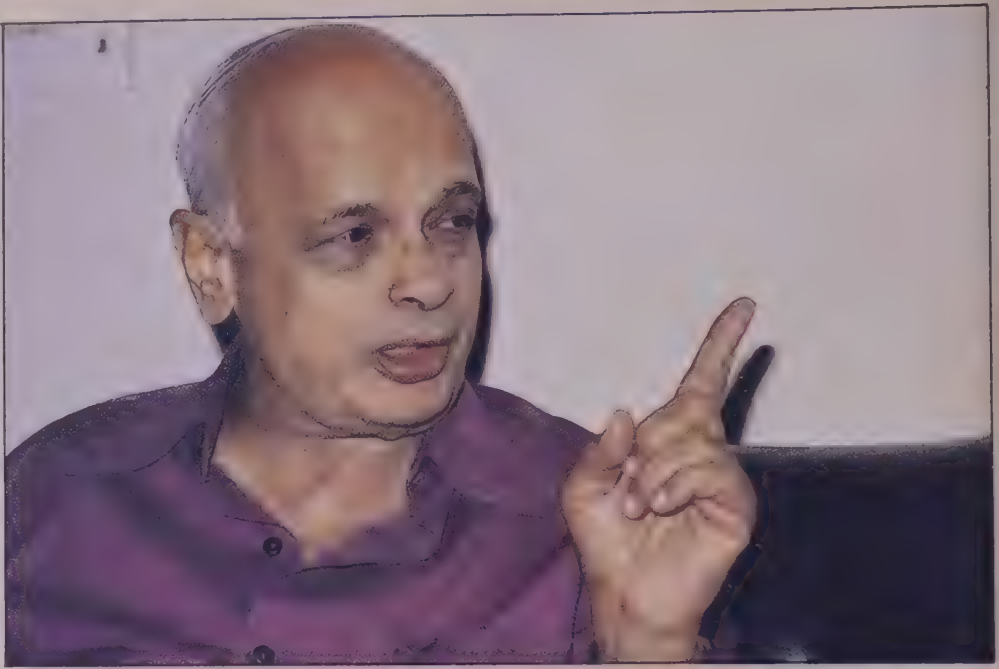
It is scarcely surprising that dismal performance parameters such as these have brought a dispassionate analyst like Chari close to despair: "Unless radical measures are initiated forthwith to improve production and productivity through increased capacity utilisation, even drastic changes in the procedures for sanctioning projects and implementing them cannot help these goals being achieved." His dirge continues: "It is debatable if the country's objectives of nationalisation can be said to have been fulfilled. It is indeed a matter of disappointment that, with all the things done — massive investments, import of technology and equipment, wage increases, housing, welfare, education, social security and so on — neither has productivity increased nor have the costs of production come down."

Harsh words. And sounding harsher still coming as they do from none other than the "grand old man" of the coal sector, *viz*. Chari. Today, virtually everybody who is somebody in this sector has served under Chari at some time or another, and none amongst them dare doubts his integrity and competence. "He is not the kind of person who can be used by any vested interests" notes a Delhi-based monitor of government affairs.

An interesting tale hangs behind the genesis of Chari's controversial monograph. In 1985, he was commissioned by the ABE to bring out a report on the problems and prospects of the coal industry in his private capacity as an acknowledged expert on the subject. At first, it is believed that Chari declined the offer. Apparently, his contention was that if he did write such a report, he would not spare his words and this would inevitably result in hurt feelings. On being assured that he could nonetheless go ahead and do his worst, as it were, Chari went on to write the 91-page study which has been hailed as "competent" by ABE chairman B.B. Vohra.

Incidentally, it is a little-known fact that in its initial form, Chari's work had turned out to be a full-fledged 450-page book. This, he had in fact, completed in September 1987. Knowing full well that

The Chari prescription



The following excerpts from K.S.R. Chari's monograph *Issues in Coal* (published in February 1988 by the Advisory Board on Energy) indicate some of the glaring problems which bedevil the contemporary coal industry in India, and some of the conclusions reached by him.

Some quotable quotes

☐ Corruption in its worst form thrives (in the entire Jharia and Ranigunge coalfields in Bihar and Bengal). The management itself is charged as being a virtual prisoner in the hands of buccaneers, charlatans and mafias enjoying political clout.

☐ Despite the highly impressive statistics of coal production, by no means can the industry's overall performance be classed a success story: nor can there be any question of coal occupying the commanding heights of our economy.

☐ Notwithstanding the emphasis laid and the results achieved by CIL towards increasing the tonnage of coal production and ameliorating both the living and working conditions of its enormous workforce, it is debatable if the country's objectives of nationalisation can be said to have been fulfilled.

"The (CIL) management is a virtual prisoner of buccaneers, charlatans and mafias..."

☐ There has been a steady decline in production and financial performance of the underground mines ever since public ownership of the coal mines became effective.

☐ It is sad but true that in spite of large tonnages of coal piling up at pitheads, consumers in different parts of the country complain of serious inadequacies in supplies. There are reports of a flourishing blackmarket in coal created and sustained by manipulated shortages, quotas and permits.

☐ It is time the government appreciated (the fact) that by not prescribing the targets in terms of tonnage, quality and cost — all of equal importance — the coal companies, being goaded to achieve the targets in terms of tonnage of production at any cost and in spite of mounting stocks, have been causing damage to the economy.

☐ It is a matter for serious consideration as to why in spite of the massive investments made towards mechanisation of both the open-cast and underground mining operations and undertaking the import of foreign technology from a variety of sources, the productivity in CIL's mines should present such an unfavourable picture... It cannot, certainly, be attributed to the geo-mining conditions in CIL's domain as the number of mines involved is far too numerous to be afflicted by a common impediment.

☐ Every time coal prices go up, the government perhaps convinces itself that there would be at least no cash losses. But CIL ends up with heavy deficits because of the standards of performance falling even below the low norms assumed for budgetary purposes.

☐ What is amazing is that the government should have convinced itself so easily about the imperatives of long-term coking coal imports so as to make a commitment to provide, year after year, something like Rs.300 crores in foreign exchange. It appears the country has even sought and obtained World Bank assistance for imports that might be to the detriment of the economy.

☐ That within such a short period after nationalisation, the organisation to which the management of the coking coal mines and the safeguarding of the country's interests were entrusted should have brought about such a state of affairs does not reflect to its credit. If there was one single criterion by which the success of nationalisation could be measured, it was this and it is no more.

> "The decontrol of coal has certain positive aspects that commend its adoption"

Some conclusions

☐ It would be advisable that the statistics covering production, consumption and stocks and all computations of cost, etc. be made out in terms of both, 'coal equivalent' as well as 'saleable coal.'

☐ The concept of OMS (output per manshift) should include all inputs instead of manpower alone.

☐ Undue emphasis on open-cast mining disproportionate to reserves will mean that all easily mineable open-cast prospects are picked up now itself for development, leading to lopsided development. There has been a deliberate neglect of underground mining as a result of which the supply of superior grades of coal has also been declining.

☐ Coal prices have been raised too often and in hefty doses. Poorer grades of non-coking coal are severely underpriced as to make their production unremunerative. Prices of all types of coking coal and of the superior grades of non-coking coal have been raised to excessively high levels as a consequence.

☐ Coal pricing based on the UHV (useful heat value) formula is unrealistic and needs to be changed.

☐ Assuming a gestation period of 12 years as the minimum, 1987-88 must be considered the time to initiate construction work on the last series of such projects that would need to be in the stage of full production by 1999-2000.

☐ The decontrol of coal has certain positive aspects that commend its adoption. Decontrol will not create shortages any more than today.

☐ The government and CIL should operate on clearly defined and agreed upon guidelines for the appreciation of mutual accountability.

☐ CIL's subsidiaries should be freed from interference by the holding company and not be 'controlled' in their day-to-day operations. There seems to be merit in including outsiders as non-executive directors on the board of CIL. If the industry is to operate on commercial lines, continuity is essential and the provisions of the Companies Act in this regard permitting the extension of service till the age of 65 years should be applied.

SAFETY FIRST SAFETY ALWAYS

Will decontrol make them push harder?

such a large volume replete with dry statistics would merely adorn bookshelves and not be widely read, Chari decided to trim it in size even at the cost of some delay. Events have proved Chari's judgement to be correct: the compact monograph can be absorbed from cover to cover in a couple of hours, and it has certainly been "widely read" immediately upon publication.

Interestingly enough, Chari was a late convert to the cause of nationalisation way back in 1971 when he was coal secretary and the crusading Mohan Kumaramangalam came in as minister. Senior bureaucrats who were eyewitnesses recall that at the very first meeting between the two, Kumaramangalam declared that he wanted to nationalise the coal industry. It is said that Chari merely smiled and replied, "Every minister before you has said the same thing."

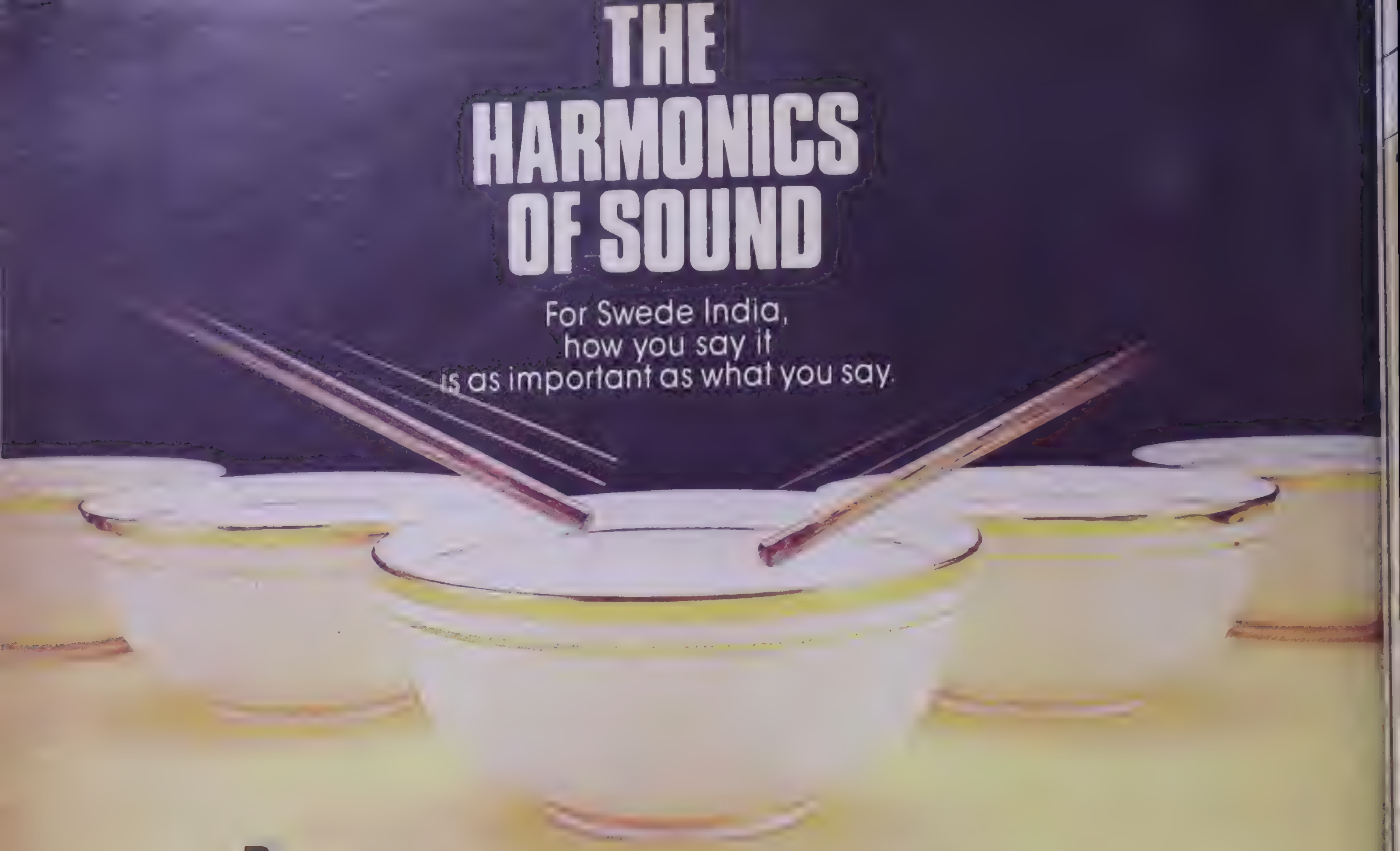
MASTERMINDING NATIONALISATION

However, the two struck up a good rapport and as things turned out, Kumaramangalam was able to persuade Chari that nationalisation was indeed an imperative. Once convinced that without this step being taken, the specific objective of supplying the right quantities and quality of coal at the right place would not be achieved, Chari took it upon himself to plan, execute and mastermind the whole process of nationalisation.

Essentially a member of the old school, Chari declined to speak for the record when approached by *BusinessWorld*. But one could not help forming the impression that he is a person distinctly disappointed that the promises made at the time of nationalisation have not been kept.

And part of his anguish has found expression in his present report, where he writes: "Despite the highly impressive statistics of coal production, by no means can the industry's overall performance be classed a success story. On the other hand, it is a debatable point if, considered merely from the angle of coal production, this level of output could not have been obtained from the mines under the erstwhile private sector, supplemented by massive expansion of NCDC (National Coal Development Corporation) mines in the virgin coalfields in Madhya Pradesh, Maharashtra and Orissa, without having to nationalise the industry."

The tragedy of the post-nationalisation story of coal is the twin failure on the part of CIL to motivate its men and utilise its machines. First, the men. One of the most telling indicators of CIL's dismal performance on this score is the statistics on output per man-shift (OMS). When CIL was formed in 1974-75 by abolishing the



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"There are tremendous vested interests in coal"

Soon after the talks to avert the coal strike broke down, BusinessWorld spoke to Gulshan Lal Tandon, the 57-year-old chairman of Coal India Ltd. (CIL). Tandon took charge at CIL two years ago after a successful stint as chairman-cum-managing director of Neyveli Lignite Corporation Ltd. That and other experiences at Kudremukh, Andrew Yule and the National Mineral Development Corporation, should have stood him in good stead at CIL. But Coal India has always been a problem child. Excerpts from the interview:

"Some of the problems of Coal India are a product of nationalisation"

☐ **On the industry.**

The coal industry and Coal India in particular are being maligned unnecessarily. At the time when the coal industry was nationalised, production had been virtually stagnant for several years. In those days production was highly selective: only high-grade coal was mined and inexpensive methods were used. But coal is a wasting asset. It is obligatory to use capital-intensive methods of production to boost output. Large investments are necessary and the gestation periods are very long. Even then the returns are very low. As coal is a basic raw material, it is a matter of policy to keep the prices low, which is why the returns are also low.

☐ **On nationalisation.**

The main reason for nationalisation was that more coal was needed, and urgently. Today, two-thirds of our commercial energy requirements are met by coal. It is the energy source for this country for the foreseeable future. CIL has embarked on the scientific and economic exploitation of coal.

But some of the problems of Coal India are a product of nationalisation. CIL is a great melting pot: all the myriad private sector companies were lumped together into one organisation. What was worse is that the architect of the move (Mohan Kumaramangalam) died soon after nationalisation. That was a major setback. Much of what we are still trying to correct is because of that legacy. And that is something that everyone forgets too easily.

☐ **On customer satisfaction.**

This is something which we at CIL are very conscious about. The major problem is quality. Only 15% of the commercially exploitable reserves are of superior grade. It is, therefore, necessary to tap even inferior grades. But we are investing Rs.700 crores in handling plants, screens to keep out extraneous matter and picking and sorting machines. There are also dry washing plants. I am confident that by the end of this plan period these methods will eliminate quality problems.

We are also holding frequent meetings with consumers to sort out problems. One of the regular complaints was short-weighing of coal. It is only now that the government has put the onus for this on us. CIL is now setting up weighbridges at all despatch points.

☐ **On financial performance.**

One of the reasons we are criticised is that we have sunk in a great deal of money which has not yielded any return. But the point is that of the Rs.5,400 crores put into CIL, half has been on underground mines. The other half is on open-cast mines. But take a look at the operating parameters: 84% of our workforce is in the underground mines but they produce only 41% of our coal; 16% of the workforce in the open-cast mines contributes 59% of the coal. Naturally the former make losses while the latter make profits. The point to remember is that if we had not sunk money, literally, into the open-cast mines there would have been no production.

☐ **On the workforce.**

The major sore point is the size and extent of our workforce. We are probably the largest corporate employer in the world. Unfortunately, about two-thirds of our workforce falls in the unskilled and semi-skilled categories: they are unfit for the technologies of today. Besides, after nationalisation there were two lakh people who claimed to be part of the company. Fifteen years later some of these claims are still being verified. Obviously, even if our productivity improves, wage costs keep rising.

☐ **On equipment availability.**

CIL is coming to grips with the problem of equipment availability. On a system-wide basis we hope to touch 100% utilisation by 1990. A complete inventory has been ordered. Our inventory costs are also being brought down to the levels prescribed by BICP (Bureau of Industrial Costs & Prices).

In addition to this mechanisation programme, we are also improving our computer systems and communications. When I came in (as CIL chairman), there wasn't a single computer at CIL. Today, we have invested in a number of systems. We are also spending Rs.27 crores on the Coalnet system, which will link all our offices.

☐ **On labour relations.**

Personally, I have the best of relations with our trade unions. I have involved them at every stage because I honestly believe that without workers' participation, CIL cannot improve. We have to carry the people and the system with us. But there are tremendous vested interests in coal — it is a fact we have to learn to live with. That is perhaps our biggest problem.

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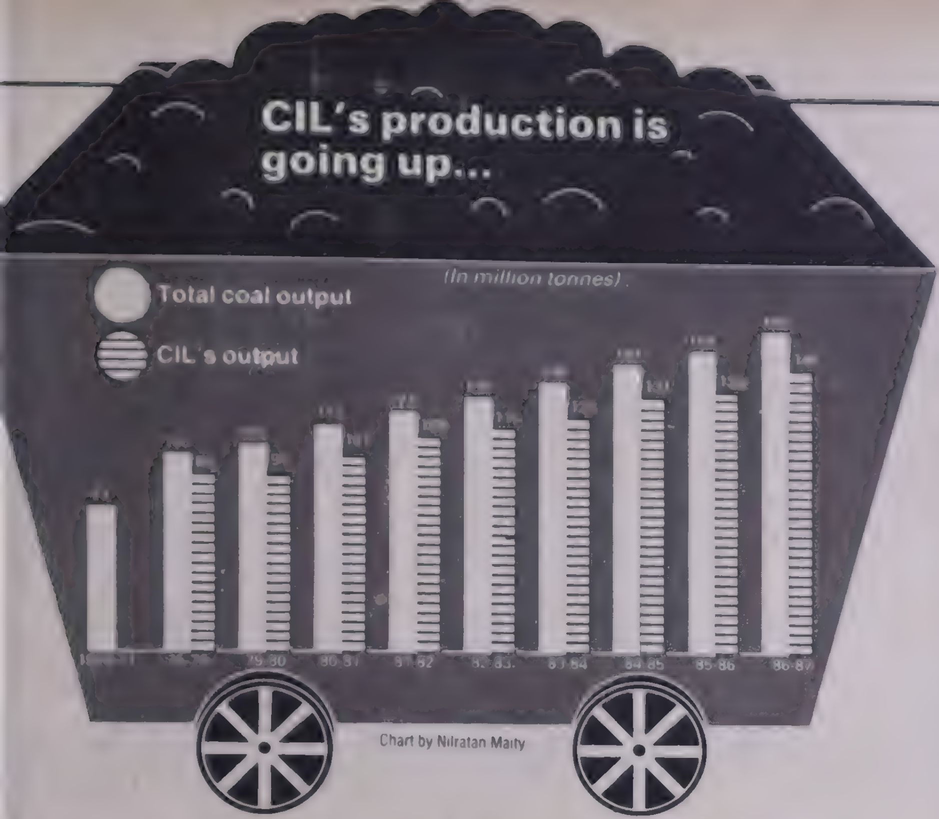


Chart by Nilratan Maity

l Mines Authority and bringing ther Bharat Coking Coal Ltd. :L), Eastern Coalfields Ltd. (ECL), tern Coalfields Ltd. (WCL) and Cen- Coalfields Ltd. (CCL) under the brella of one holding company, the in the underground mines was 0.54 nes. Incredibly, the figure was exactly same in 1986-87 despite the huffing puffing of numerous ministers, secre- s and chairmen who have come and e.

the open-cast mines (which account 60% of production but only about of the labour force) OMS is some- better: 2.44 tonnes (1986-87). But level of productivity is shameful n compared to the OMS of 20 tonnes ustralia's open-cast mines.

BALLOONING PAYROLL

et, even as productivity has lan- ned, CIL's payroll has ballooned nd all calculations. The minimum e is Rs.1,311.45 a month (*cf.* 99.16 in 1973). Besides, employees given lavish perquisites like free ing, free electricity, free fuel and medical care, apart from subsidies in sport and children's education. Being d to the consumer price index, CIL's e bill goes up by Rs.1.75 crores the nent the price index ticks up by one t. But far from enabling its em- ees enjoy a better quality of life, liv- onditions in the Dhanbad and Jharia belts are wretched. A study made by Bureau of Industrial Costs and Prices) in 1986 reckoned that total cash at disposal of BCCL's miners is more Rs.1 crore daily — but a good part is mopped up by the infamous coal a.

much for motivating its men. On the machinery front, the staggering sum of Rs.5,711.9 crores has been invested over the past 10 years by way of capital expenditure. But in the wake of grossly inefficient utilisation, CIL's cost of production has progressively gone up instead of declining (see chart). Notes former Dhanbad MP and noted trade union activist A.K. Roy: "There has been no cost reduction with mechanisation, only a different cost distribution."

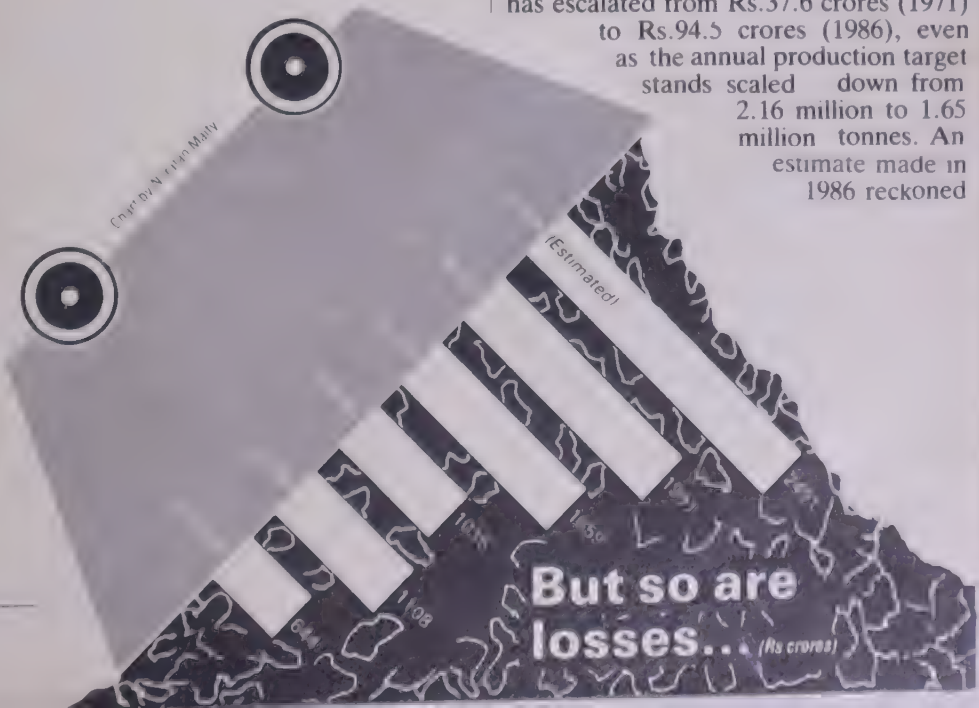
To help make CIL's ends meet, the government has baled it out on several occasions by allowing price hikes. The latest (the seventh) was announced three months ago. But as the accompanying chart shows, CIL's cost of production has always galloped ahead of the generously hiked prices.

Says Chari: "Coal India appears to have failed in securing benefits from mechanising its operations in spite of making massive investments in technology and equipment, obtained largely through imports That both such technologies and equipment are making significant contributions to coal production elsewhere in a number of countries cannot be in doubt. Despite this, if Coal India, with the enormous human resources available to it at low wage rates in international terms has failed to obtain similar benefits in terms of tonnages of production, productivity as well as reduced operating costs, it is obviously a matter for serious introspection." He goes on to hint at possible bureaucratic collusion: "If only the government had been insistent on result-oriented performance consistent with the application of technology and equipment, the organisation might have been under compulsion to improve matters."

INTERESTING ARITHMETIC

Chari provides some interesting arithmetic about coal sector investments. At the time of nationalisation (when coal production was around 72 million tonnes) Kumaramangalam had estimated that by 1978-79, India would need 143 million tonnes of coal. To achieve this production level, he had assessed the cost of exploration, beneficiation and infrastructure at Rs.850 crores. The reality proved to be far different. The nation's coal production reached 143 million tonnes only in 1984-85, by which time the cost had multiplied five-fold to Rs.4,000 crores.

Some of the project implementation delays have been nothing short of scandalous. For instance, BCCL's Moonidih coalmine project launched in 1972 on a budget of Rs.15.5 crores had escalated to Rs.132 crores at last count on 31st March 1986. Again, the Sudamdih project cost has escalated from Rs.37.6 crores (1971) to Rs.94.5 crores (1986), even as the annual production target stands scaled down from 2.16 million to 1.65 million tonnes. An estimate made in 1986 reckoned



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that out of 70 projects in the pipeline, as many as 30 were lagging in time.

One of the objectives of bringing the coal sector under state ownership, control and management was that coal mining done by private operators was "unscientific." Initially the government's thinking was that it would suffice to nationalise only the Jharia coalbelts which were the storehouse of prime coking coal needed by the steel plants. "The Jharia coalfield was the abode of much maligned selective and slaughter mining," notes Chari. And so, on 16th October 1971, the government formed BCCL to "initiate integrated and scientific development of the coal reserves." The idea was that considerations of sound mining methods would take precedence over the short-term profit motives that dominated private coal mining.

Yet, 17 years later, BCCL and ECL which together control the entire Jharia and Ranigunj coalfields in Bihar and Bengal, seem to have evolved into "special cases." As Chari rather apologetically puts it, "in spite of all that has happened in the post-nationalisation years, the management culture that prevailed in these mines, when they were under private ownership, by and large seems to influence even today's attitudes." Chari, however, chooses to absolve the CIL management of most of the blame and paints it as being "a virtual prisoner in the hands of buccaneers, charlatans and mafias enjoying political clout. The law and order problems, particularly in Jharia region, are such that there can be no real solution to them without political will."

THOROUGHLY POLITICISED

This has been the exact view of past chairmen of CIL like M.S. Gujral. Certainly, while it is nobody's case that CIL at all deserves any sympathy for doing little owing to its extraneously imposed straitjacket, it would also be one-sided to lay all the blame at CIL's door. Apart from the fact that CIL has clearly been forced to provide employment to people it does not need, its workings have been thoroughly politicised too. The controlling ministry has seen eight ministers come and go in the past 14 years and Parliament has failed on many occasions to effectively follow up specific issues involving corruption in coal companies.

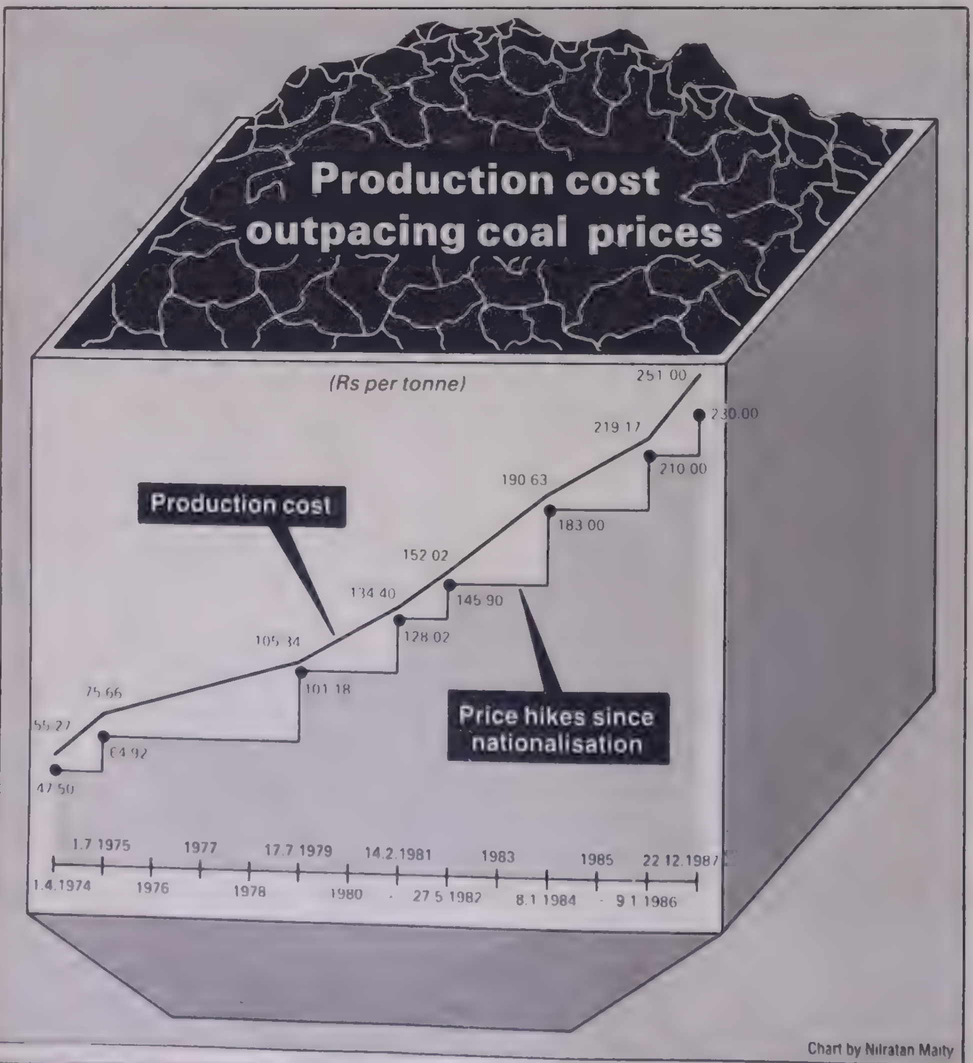

Chart by Nilratan Maity

One example: a recent public accounts committee probe brought to light that S.N. Singh who was managing director of ECL had bought for the company equipment worth Rs.70 crores without tender from one organisation alone over a period of seven to eight years. But till today there has been little follow-up action. Another example of lackadaisical political interest: the ministers in charge of coal are rarely to be seen paying a visit to the mines. P. Shiv Shankar never toured the mines at all during his tenure. Vasant Sathe has been the energy minister for the past three years but has been to the mining sites only twice.

Besides, ministers and CIL officials have been known to have locked horns quite openly sometimes. A celebrated instance occurred at a seminar held in Nagpur in 1986 where Sathe narrated the tale of buck-passing which followed his (i.e. Sathe's) discovery that CIL had reported a "profit" of Rs.14 crores when it had actually lost some Rs.78 crores that year. When he asked the secretary (coal) for an explanation, related Sathe, the latter blamed the manipulation on the CIL chairman, who in turn put the chairman of a subsidiary company in the dock. After Sathe's speech, it so happened that the then managing director of WCL was to speak. He seized the chance to have a dig at Sathe by blaming politicians for the ills in the coal industry. And the exchange was far from light-hearted.

LOVE-HATE RELATIONSHIP

The symbiotic relationship between CIL and its administrative ministry is perhaps best described by the term "love-hate." It is a fact that CIL has not been allowed a continuity of leadership, and some chairmen (*viz.* S.R. Jain) have had terms of less than a year. Some have found the job impossible: R.N. Sharma of Tisco preferred to revert to the humble vice president's post at Tata Steel after he was convinced that the tinsel glamour of the CIL' chairman's job was farcical. Even the tough M.S. Gujral's attempts to clean the Augean Stables fell by the wayside when his two-year term was not extended three years ago. Tandon himself was brought in from Neyveli Lignite Corporation on a two-year term and is currently on a year's extension. Needless to say, even the most brilliant managers have been hard put to keep their motivations at peak level under attendant uncertainties like these.

Besides, in its present set-up, CIL is only a holding company. Its operational arm is its clutch of subsidiaries — which have their own chairmen and boards of directors. CIL is a toothless organisation in more senses than one. Major decisions (eg. the price of coal, employees' wage levels, overseas technical collaborations, etc.) have to be approved by the ministry. The latter keeps for itself whatever few bouquets might be earned, while brickbats are passed on to CIL which in turn "absolves" itself by blaming the subsidiaries. In any case, the pace of to-ing and fro-ing from the ministry is hectic. The remark that at any given point of time, several hundred amongst CIL's 13,948 executives are up in the air — literally, that is — is not without substance.

CORRECT PERSPECTIVE

Once again, it redounds to Chari's credit that he is able to view this relationship in its correct perspective. He declines to condemn CIL outright for its continuous track record of non-performance: "In any organisation, and particularly where there has been a rapid turnover of top executives, an assessment of the performance based on concurrent activities becomes difficult. The success or failure of the organisation today can very much be the result of action or inaction of earlier managements from which legacies have flowed down. In organisations like the coal industry with rather long gestation periods, results of investment and efforts do not show up fast enough to merit judgement. It has to be appreciated, therefore, that what the coal industry is facing today is the cumulative effect of all that happened over the last 15 years since the management of the mines was taken over from private ownership."

Sadly for the country's shortchanged citizenry, the extraordinary legacy of collective misgovernance in coal which has "flowed down" to 1988 has put paid to any hopes of a consumer-oriented supply and prices situation. Last fortnight, Planning Commission sources reluctantly — and anonymously — informed *BusinessWorld* that "coal production in the Seventh Plan period will most definitely be lower than targeted levels." Originally, the production target in 1989-90 for the coal sector was set at 226 million tonnes (*cf.* 147 million tonnes in 1984-85), implying an annual growth rate of 8.9%. This year, the Planning Commission expects a production of 182 million tonnes, which means the growth rate has been 7.5% (and not 8.9%) in the first three years of the current plan. In the terminal year (1989-90), the "expected production" is 212 million tonnes only — and the shortfall will be met through imports.

Predictably, there is no dearth of prescriptions as to what ought or ought not to be done to pull this industry out of its morass. Opines a Planning Commission expert: "There is a need to accelerate the pace of adoption of new coal exploration technologies to reduce the time and cost of exploration. It is also clear that mining technology itself as well as quality improvement need far more sustained efforts in R&D than has been done so far. The average calorific value of non-coking coal is steadily declining and the long-standing issue of beneficiation of non-coking coal has to be settled before the end of the Seventh Plan, otherwise things will not improve."

It all depends on him in the end

However, there are few bright ideas on how the Frankenstein-like labour relations problem can be tackled. Pontificates a senior bureaucrat in the coal ministry: "Tinkering around with organisational structures would hardly help matters." Says another: "The CIL management is much too bureaucratic and non-commital in its approach to effect dramatic changes." A third official is probably more honest: "Several groups have gone into the functioning of CIL. Therefore its major weaknesses are well known. But these problems have not been solved because of a certain lack of initiative on the part of the political leadership."

And yet there exists a contemporary example of applying political initiative to solve seemingly intractable problems in coal. One refers, of course, to Margaret Thatcher's firm handling of the British coal miners' strike in 1984-85 and her policies which have brought about a dramatic turnaround in the fortunes of that country's once-ailing coal industry. Her achievement is described by *The Economist*, UK (2nd August 1986) as follows:"British Coal now has 40% fewer collieries and 40% fewer mineworkers than it did in the first year of Mrs Thatcher's 1979 government. In the past three years alone, 60 pits have been closed and 60,000 mineworkers, tempted by the most generous redundancy terms in British industrial history, have left the industry. Productivity (has) improved handsomely ... those 40% fewer men produced 85% as much coal as seven years ago."

FINANCIAL VIABILITY

Within two years of the ending of the national coal miner's strike in the UK OMS has gone up by 23% as compared with a meagre 1% a year in the decade preceding the strike. Average OMS in 1987 was 3.5 tonnes and operating costs were down by 20% in real terms. British Coal now wants to reduce costs by a further 20% and has set a target of 10% annual increases in OMS, which is slated to go up to 5 tonnes in 1990. Further British Coal has declared that it should attain full financial viability by then and be able to generate capital requirements from its own resources.

Here in India, last fortnight witnessed the umpteenth national coal miners strike. And the question might well be asked: why cannot independent India's most popularly elected government learn from the British example and take similar measures in the national interest? Must the citizenry reconcile itself to enduring ever-increasing administered prices, even larger losses and a still burgeoning labour force which must be appeased no end to serve political ends as is happening right now?

If all are agreed that the answers to the latter are decidedly in the negative, then obviously a start must be made somewhere to stop the farce. Already, the Seventh Plan target stands to be missed, while the targets for 2000 and 2004-5 are turning out to be fast-receding mirages.

By seizing the bull by its horns, Chari has lent a bold impetus to a possible fresh start to undo the damages that have ravaged the post-nationalisation coal sector. It is reliably learnt that the Union government is planning to set up a technology mission on energy later this year. Inasmuch as coal is concerned, the mission would be well advised to treat Chari's soul-searching analysis as gospel.

With additional reports from Anand P. Raman in New Delhi

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Racing towards bankruptcy

A.K. GANGULY

In his Union budget for 1988-89, the finance minister, N.D. Tiwari, has announced a big bonanza for farmers. Interest on crop loans has been reduced and public sector and cooperative banks have been told to raise farm loans to Rs.3,000 crores by 1988-89. Given the poor recovery of such loans, the decay and stagnation so evident in the banking sector seems here to stay.

The inevitable loss through farm loans is just one aspect of an overall grim picture. Although New Delhi has been making tall claims of revamping, restructuring and expanding the banking network through viable commercial channels, the country's sprawling banking system has apparently lost all its resilience and flexibility. This is evident from the Reserve Bank's latest *Report on Trend and Progress of Banking in India.* The banking network seems to be in total disarray. But while the problems should be causing a lot of headaches in New Delhi, the unfortunate part of the story is the total absence of the right policy prescriptions and priorities for lifting the banking system from the morass.

The greatest cause for concern is the sluggish growth of deposits. Deposits of scheduled commercial banks slumped by a whopping Rs.977.25 crores to Rs.1,18,339.27 crores, according to the scheduled banks' return for the fortnight ended 15th January, 1988. They stood at Rs.1,19,316.52 crores for the fortnight ended 1st January 1988. The sharp decline in deposits during a single fortnight might be the result of rampant window-dressing to show inflated deposits at the end of the year. But that apart, neither the banking division of the Union finance ministry nor the Reserve Bank has been able to appreciate that a 1% cut in the ceiling rate on deposits — from 11% to 10% — will be a big blow to the banking system. The latter will no longer be able to stand competition from company deposits, public sector bond issues and convertible bonds and debentures from public limited companies.

In the circumstances, the rate of deposit growth in 1987-88 is estimated at 16%. According to the RBI report, the growth rate was 16.9% in 1986-87, against as much as 19.1% in 1985-86. Deposit growth is going to continue declining if concerted, constructive and positive action is not taken at once.

SMALL CONSOLATION

The RBI report has attributed the decline to a lower growth rate of time deposits from 20.6% in 1985-86 to 17.5%. Demand deposits picked up from 13% to a moderate 14%. (It is small consolation that bank deposits as a percentage of total savings in financial assets of the household sector rose from 67.5% in 1985-86 to 69% in 1986-87 and the ratio of deposits to net national product at current prices rose from 38.4% in 1982-83 to 47.6% in 1986-87.)

Due to the return of the Hindu rate of growth of less than 3% in 1986-87, the growth of advances of banks seems to have been sluggish. They expanded at a lower rate of 11.4% to Rs.63,753 crores, against 12.4% in 1985-86. But in absolute terms, th growth of Rs.6,524 crores compares favourably with a rise o Rs.6,308 crores in 1985-86. The slower rate of advances according to the RBI report, is attributable to the sharp declin in food credit of Rs.1,454 crores. Although the advances o banks shot up by Rs.172.79 crores to Rs.68,901.10 crores during the first fortnight of the current year, this is nothing to cro about as the steady rise in sticky advances is the most seriou danger threatening commercial banks in the country.

According to a survey carried out by the public sector Syndicate Bank, an estimated Rs.15,000 crores will become overdu from the farming sector by the turn of the century, keeping i view the present trend of mounting overdues. This is based o estimates of agricultural credit of Rs.62,000 crores to Rs.63,00 crores by 2000 AD.

The agricultural sector is bad enough. One shudders, however, to think of the prospect of a still higher level of bad an sticky advances in the industrial sector where a colossal sum o Rs.3,287 crores is locked up in 714 large sick industrial unit and another Rs.1,588 crores in 1,47,000 small and mediu sector units. The banks are rapidly entering a situation fro which there is no return.

UNECONOMIC OPERATIONS

There is more to the sad tale of decay and stagnation. Whil no foreign branches of Indian banks were opened during 1986-87, some closures reduced the existing number from 134 to 123 Domestic branch expansion also slowed down considerably This is because the RBI has been laying more stress on th consolidation of branch expansion as most of the banks hav been losing a lot of money due to uneconomic operations. During the nine-month period ended March 1987, new domesti branches amounted to only 300, raising the number of tota branches to 53,565. Of the 300 new branches added to th banking network, four-fifths were located at unbanked centres

> **'The country's sprawling banking system has apparently lost all its resilience and flexibility and the network seems to be in total disarray'**

The RBI report refers to the improvement of profitability o banks in 1985, compared with 1984. Profits of 79 schedule banks increased by 29.2% to Rs.123.6 crores in 1985, compare with Rs.95.63 crores in 1984. Some of the banks, mostly th nationalised ones, have reported larger profits in 1987. But it i still anybody's guess to what extent the rise is attributable t window-dressing. It is an open secret that most banks have onl book profits to show in view of a substantial rise in bad an doubtful advances which cannot be recycled in any case.

Due to dwindling profitability, banks are rushing headlon into fresh fields and new pastures — mutual funds, housin finance, leasing finance, venture capital, merchant banking an foreign exchange business. Few banks are overly bothered about increasing their priority sector lending. In fact, such lendings have been cleverly mixed up with non-priority ones. Wit the task of increasing bank profitability having become mor difficult due to the raising of the statutory liquidity ratio to 38% and the cash reserve ratio to 10%, such stray forays will onl increase. Which means, in sum, that banking proper, now in state of decline, must inevitably fall.

The Germans are coming

DEG, a West German finance company, may soon join hands with the Industrial Credit & Investment Corporation of India (ICICI) to set up a venture capital fund.

With an initial capital base of $1 million (Rs.1.3 crores), the fund will finance Indo-German joint projects in a wide spectrum of fields. Products such as automobile parts and ancillaries, machine tools, fibreboards, ceramic tiles, circuit boards and paper will be manufactured. Government approvals will pose no problem, since foreign investment is freely permitted for these product groups.

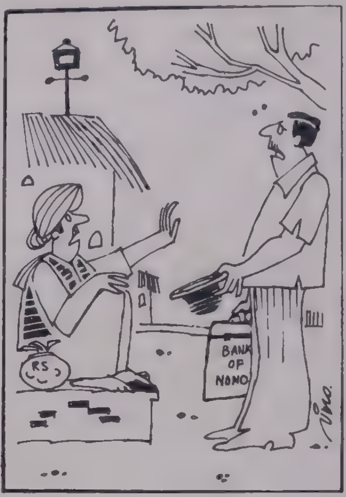
DEG has already co-financed 12 Indo-German joint projects, located near Bombay, Calcutta, Bangalore and New Delhi. The tie-up with ICICI, DEG believes, will permit a wider regional distribution of project finance.

SFCs: towards sickness

Uneasy lies the head that wears the finance minister's Gandhi-*topi*. These days, the cause of Narayan Dutt Tiwari's sleepless nights is the health of the state financial institutions.

Tiwari, who recently addressed a conference of state financial corporations (SFCS) and small industrial development corporations (SIDCS), said he was worried that money lent wasn't coming back. During the last four years, the average rate of recovery for SFCS has refused to budge above 35%. The SIDCS ace grimmer prospects, since heir recovery rate has declined during the period from 55% to 42%.

Tiwari's concern seems nderstandable, particularly n view of recent reports that ickness is legion among mall-scale units, the major borrowers from SFCS and IDCS. As a first step towards cure, Tiwari has announced a Central subsidy for the financial institutions which, he hopes, will enable them to tide over their present problems. But can such placebos nurse the sick back to health? That's a multi-crore question.



Banks fail to tap rural India

The rural branches of most banks have a low rate of deposit mobilisation. The main reason for this is not that villages lack money, but that banks have failed to impress villagers enough to part with the stuff.

This appears to be the chief finding of a study conducted by the Reserve Bank of India (RBI), to determine the pattern of rural savings. Conducted in five villages in Haryana, Gujarat, Maharashtra, Karnataka and Tamil Nadu, the study found that the farm sector generates a substantial investible surplus. But much of this finds its way into the coffers of the innumerable chit funds, moneylenders and non-banking finance companies that dot the rural landscape.

The greatest hindrance to rural deposit mobilisation, the study states, is poverty. A large number of residents within a rural branch's ambit are too poor to save. The study recommends that rural branches should lend money to the poor, so that incomes can be generated, a part of which could be saved.

Similar studies taken up in the past have shown that such loans are used for consumption rather than the creation of income-yielding assets. But until a way of breaking out of destitution is found, the banks may have few other options.

Mired in debt

The Indian economy is becoming increasingly dependent on foreign funds, and the trend is likely to continue during the next couple of years.

Business Standard reports that in 1987-88, there was a sharp rise in multilateral and bilateral aid, as well as commercial borrowings. While the former increased to Rs.3,185 crores in 1987-88 from Rs.2,455 crores in 1986-87, commercial loans may add up to $2 billion (Rs.2,600 crores) by the end of this year.

Two big loans, contracted recently, have raised external commercial borrowings to these dizzy heights. These include the loans raised by the National Thermal Power Corporation and the Indian Railways Finance Corporation from the Japanese Exim Bank, which together add up to Rs.750 crores.

Apart from Japan, West Germany, the Soviet Union and France are the biggest creditors of India.

Exim Bank's kindest cut

Indian exporters have never had it so good. After the plateful of concessions dished out in the Union budget, the Exim Bank has served the dessert: cheaper export credit.

On 10th March, the bank cut interest rates on suppliers' credit from 8.5% a year to 7.5%. Buyers' credit, too, has been reduced to 7.5% a year, but will carry a service charge of 0.5% and a commitment fee of 0.5%.

This is the third time in the six years of the Exim Bank's existence that export credit rates have been slashed. In 1983, the lending rate came down from 9.25% a year to 9%. It was reduced to 8.5% in 1986.

The bank sees these moves as part of a "continuing endeavour" to make Indian exports more competitive in world markets. In a recent press note, it claims to have cumulatively catalysed export contracts of Rs.3,200 crores during the past six years.

Even so, Indian exports — particularly in the non-traditional sector — form a minuscule portion of world trade. It remains to be seen whether these concessions will spur exporters to do better.

Canara Bank: drawing circles

One has heard of quality circles, all right. But what are Canara Bank 'circles'?
Answer: they are the bank's contribution to the cry 'Innovate! Innovate!' which has swept the scene since liberalisation became the watchword of our policymakers. The 'circle' is a new system, that indicates the performance of branches in different zones.

According to Canara Bank officials, each 'circle' will have its own lending norms. Inter-circle lending will be discouraged by fixing a high interest rate (15%) on such loans. Thus, if the branches in a 'circle' are short of funds, they will have to work that much harder to raise deposits.

The 'circle' concept, it is believed, will help meet two objectives. One, it will help decentralise decision-making within the bank's monolithic structure. And two, it will make 'circles' compete with one another, infusing them with vitality, as it were.

If Canara Bank can make the 'circles' concept work, it will have made a positive contribution towards breathing fresh life into India's moribund banking sector. Otherwise, the 'circles' will begin to resemble zeroes.

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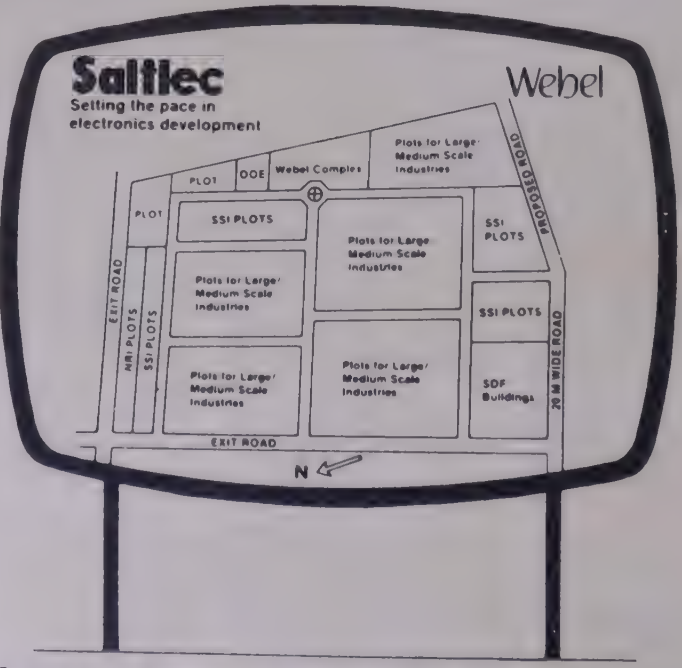
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Hydel power schemes in the west

P.V.SATYANARAYANA

This article, the second in a series on new projects in India, continues with the description of new hydel schemes, this time covering the western region. The states covered are Gujarat, Maharashtra and Madhya Pradesh.

Gujarat is in the process of implementing two major hydel schemes which are multipurpose in nature. The Kadana pumped storage scheme, being implemented in two stages, involves the construction of a powerhouse at the lower end of the Kadana dam across the river Mahi. The first stage of the project envisages the installation of two 60 Mw generating units at an estimated cost of Rs.86.36 crores. The project has been beset by several delays and is now scheduled for completion only in 1989. The second stage of the Kadana scheme envisages the installation of two additional units of 60 Mw each at a total estimated cost of Rs.65.6 crores. The extension scheme is still in the preliminary stages and is expected to be completed during 1992.

Gujarat is also implementing the ambitious 1,450 Mw Sardar Sarovar multipurpose project across the river Narmada, near Baroda, in cooperation with Madhya Pradesh and Maharashtra. Under the project proposal, six units of 210 Mw are each proposed to be installed at the river-bed powerhouse and an additional five units of 50 Mw each at the canal head powerhouse. The power generation scheme is estimated to cost Rs.1,063.37 crores and is slated to be completed during 1996. The entire purpose project is expected to cost a massive Rs.5,800 crores.

SIGNIFICANT PROJECTS

Madhya Pradesh, a state endowed with vast coal reserves and consequently a large potential for thermal power, is also making efforts to develop its hydel power resources. The state is currently in the process of implementing five significant hydel projects, the details of which are discussed below:

☐ The 120 Mw Hasdeo Bango hydel stage III project is at present under construction at a total estimated cost of Rs.43.86 crores. The scheme envisages the installation of three units of 45 Mw each, which are scheduled for completion during 1990. However, the progress of work so far suggests that the completion schedule will be pushed back into the Eighth Plan period.

☐ The controversial Bodhghat hydel project in Bastar district, which has been renamed the Indira Sarovar project, envisages the installation of four units of 12 Mw each at a total cost of Rs.475.8 crores. The project has been given conditional clearance by the department of environment and is to be implemented with partial funding from the World Bank. According to current expectations, the project is scheduled for completion during 1991.

☐ The state is in the final stages of completion of the 90 Mw Bargi hydel project to instal two units of 45 Mw each. The scheduled time for completion is the middle of 1988.

☐ The 390 Mw Bansagar Tons hydel project in Rewa district is at present under construction. The project, which envisages the installation of three units of 105 Mw each and five units of 15 Mw each, is estimated to cost Rs.362.74 crores. It is scheduled to be ready to generate power by 1991.

☐ Plans are also afoot to implement the 1,000 Mw Narmada Sagar project. The scheme envisages the installation of eight units of 125 Mw each. The project is still in the preliminary stages and on current reckoning is likely to be completed only around 1996.

AWAITING CLEARANCE

Besides these schemes, Madhya Pradesh is drawing up plans to implement the Kutru hydel project in two stages for a total capacity of 390 Mw. In addition, the state hopes to launch the 180 Mw Gabad Hydel scheme. Both these projects are yet to be cleared by the government of India.

Maharashtra, a state acknowledged for its stable power supply situation, is in the process of implementing a number of medium-sized hydel schemes. In addition, the state has planned a large hydel scheme at Koyna to be taken up in the near future. The details of the various hydel schemes are discussed below:

☐ The state is in the final stages of installing two 40 Mw units of the Bhira Tail Race scheme in Raigad district. The Rs.63.14 crore project is poised to be completed by mid-1988. The first 40 Mw unit has already been synchronised.

☐ The 43.5 Mw Bhandardara hydel scheme in Ahmednagar district is nearing completion. The project comprises a single 10 Mw unit, which was commissioned during 1986, and another 33.5 Mw unit, which is expected to be completed during the second half of 1988.

☐ The 160 Mw Khadakwasala hydel project in Pune district is now under construction at an estimated cost of Rs.19.3 crores. Work on the project is progressing and is scheduled for completion during 1990.

☐ The 24 Mw Dudhganga hydel project in Kolhapur district is at present under construction at an estimated cost of Rs.26 crores. The project is scheduled to be completed during 1992.

Over and above these schemes, the state is drawing up plans to implement the ambitious 1,000 Mw (4 X 250 Mw) Koyna Stage IV project. Originally, six units of 125 Mw capacity were planned, but this proposal has now been revised. The project is still in the preliminary stages and is likely to be completed only around 1995-1996.

Maharashtra is also in the process of setting up a number of small hydel schemes which include Manikdoh (6 Mw), Dimbhe (5 Mw), Kanher (2 Mw), Dhom (2 Mw), Surya (6 Mw), Warna (16 Mw), Bhatsa (15 Mw) and Vaitarna dam (1.5 Mw). Besides, the state has on hand a couple of micro hydel projects which will be discussed subsequently in this series on new projects in India.

BusinessWorld
March 28—April 10, 1988

TOURISM

The new lures

Sunning and swimming at Welcomgroup's Mughal Sheraton, Agra

"She's young, she's wild, she's beautiful," scream the advertisements. India, long perceived as the land of barefoot mendicants, *fakirs* and the Taj Mahal, is undergoing a rapid metamorphosis. In spreading the net for foreign tourists, historical monuments have been given a backseat. In the van are wildlife safaris, heli-skiing, amusement parks, river rafting and a host of new attractions. In tandem with the razzmatazz, the tourism infrastructure is being expanded apace. The objective: to bring in a million additional tourists over the next five years.

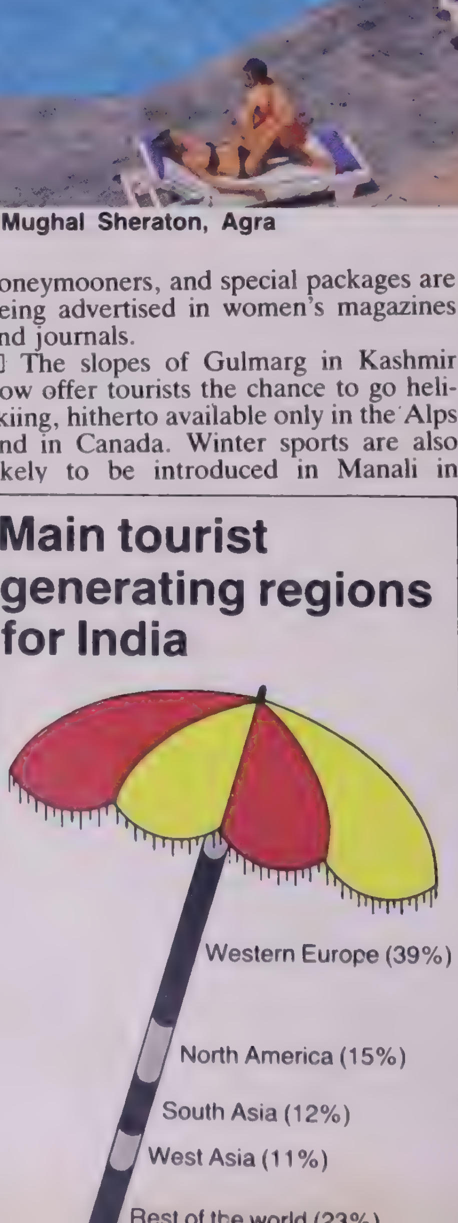
Tourism policy, too, is being revamped in tune.

☐ As accessibility to India is limited by aircraft seat availability, charters have been permitted to land at four new airports — Goa, Srinagar, Bhubaneswar and Port Blair. They could earlier operate from only Delhi, Bombay and Bangalore.

☐ Special marketing drives have been launched in selected high-potential markets like Australia, Japan and the Gulf. In Japan, India is no longer being marketed merely as a Buddhist destination. It is being projected as an ideal spot for honeymooners, and special packages are being advertised in women's magazines and journals.

☐ The slopes of Gulmarg in Kashmir now offer tourists the chance to go heli-skiing, hitherto available only in the Alps and in Canada. Winter sports are also likely to be introduced in Manali in Himachal Pradesh and Uttarkashi in Uttar Pradesh.

Main tourist generating regions for India



☐ The Ganga and the Teesta (which flow through North Bengal and Sikkim), with their tailor-made rapids, have been opened for river rafting. Water sports are soon to be introduced in the Brahmaputra and Chambal rivers as well.

☐ Three of the world's top four rent-a-car companies — Budget, Hertz and Europcar — have been permitted to do business in India, and expect to commence operations in a big way some time this year.

☐ Between 15 and 20 amusement parks, drawing inspiration from America's Disneyland but incorporating Indian themes, will soon come up throughout the country.

☐ To grab a share of the rapidly growing conference and convention traffic, a joint government-industry agency has been set up to promote India as a venue for international conferences and conventions.

No doubt about it, Indian tourism is undergoing a sea-change. In recent months Union tourism secretary S.K. Misra and director-general of tourism B.K. Goswami have used every available forum to stress that India is not only famous for its historical and cultural heritage, but also as a place for adventure and fun; that India is much more than the popular 'golden triangle' of Dehi, Agra and Jaipur; it is a country with good beaches, wildlife sanctuaries and adventure sports.

For those in the trade, this is a welcome change. Says S. Ranganath, corporate manager (tours), Indtravels: "In the West, people are looking for ways to get away from it all. That is why holiday tourism has developed. But our problem is that India is always sold as a land with a 5,000-year history. That's all right, but we must get the message across that it is also a nice place to relax, dance and swim."

> **"Our problem is that India is always sold as a land with a 5,000-year history. That's all right, but we must get the message across that it is also a nice place to relax, dance and swim."**

INHIBITING FACTORS

The new departures are a result of the government's growing realisation that the country is hopelessly behind schedule in its objective to attract 2.5 million tourists by 1990. Tourist arrivals in 1987 totalled 1.164 million, up 7.8% from 1.08 million in 1986. Significantly, growth in 1987 was far lower than the 29% achieved in 1986. Again, while foreign exchange earnings from tourism shot up by 21.9% in 1986, they rose by only 6.7% in 1987. The target for 1990, set as far back as 1970, was scaled down first to 2 million and then again to 1.6 million. Tourist arrivals are now expected to touch 2 million only by 1993. But there are inhibiting factors aplenty: the limited number of international flights to India, the shortage of hotel rooms and the general infrastructural inadequacies. Says Nripjit Chawla, the Welcomgroup hotel chain's director (marketing and development): "A target of 2 million tourists by 1993 may not be impossible, but it is highly ambitious."

Both domestic and international airline capacities are inhibiting factors. Resource constraints have forced the government to peg the growth of Air-India at 4% a year, but the actual market warrants a 9% growth. Similarly, planned growth for Indian Airlines (8% a year) is nearly half the required 14%. The ministry of civil aviation is, therefore, thinking of going in for air taxis in a big way, because high-spending tourists would be able to afford them.

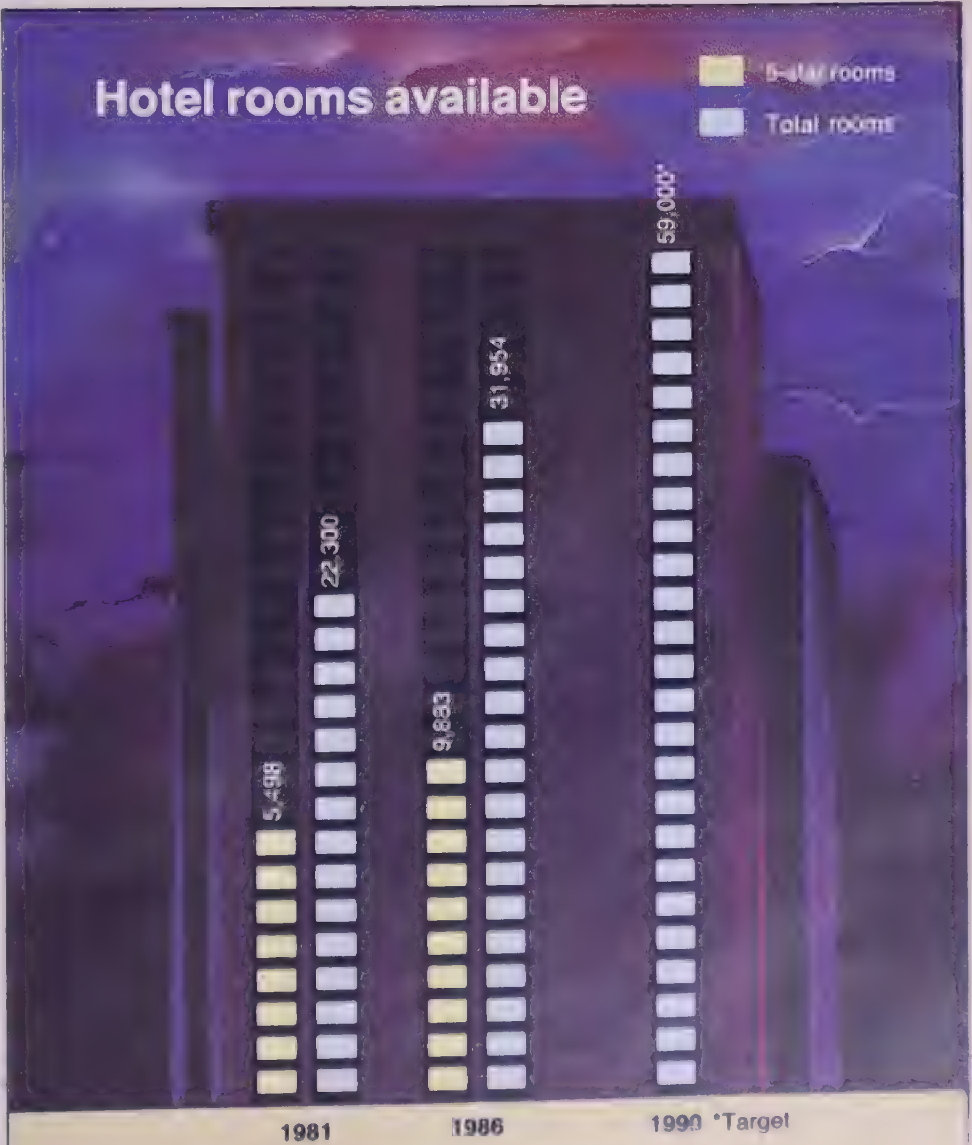
Restrictions on the number of foreign airlines operating flights to India mean fewer airline seats and less access for tourists. Of the 44 airlines operating flights to India, 33 touch Bombay, but only 23 land in Delhi. And the number touching Calcutta and Madras is even less: only eight and five respectively. There are also only four international airports in the country. "Foreign airlines from the tourist-generating countries should be allowed to operate more services to India, and Air-India should also touch cities other than Bombay and Delhi," suggests Inder Sharma, chairman of Sita World Travels. The problem, he adds, is that Air-India is a small national carrier which caters substantially to ethnic traffic. The principle of reciprocity further limits the number of foreign airlines touching India.

Within the country, there are not enough airline seats in the sectors where the tourist rush is the heaviest. "In the Agra-Khajuraho-Varanasi sector, for example, there is only one flight a day and that too is a Boeing 737 with 126 seats. This is totally inadequate," points out Ranganath, quoted earlier.

Some steps to improve matters are underway. Modernisation and expansion at the four new airports thrown open to charters will enable them to handle wide-bodied aircraft. The first charters from London's Gatwick airport to Goa began operating in December. An agreement has also been signed between Britain and India to make British Airways the first European carrier to be given traffic rights to Madras. The twice-weekly London-Madras flights will open up south India directly to tourists from Europe.

A BETTER BET

But these solutions probably do not address the real problems. Says Sharma of Sita: "Our landing, parking and fuel charges are the highest in the world, and this deters foreign airlines." And Welcomgroup's Chawla points out that those who come on charters are usually



Note: There were 220 new hotel projects approved as in December 1986, of which only

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taid senior citizens. They are by no neans big spenders and hence should not e considered a priority. "If we want nore revenue, the foreign individual raveller is a better bet," he says

The problems in the hotel segment of he industry are, if anything, much vorse. As of December 1986, there were 1,954 hotel rooms (of all categories) in he country and 220 new projects had een approved. The target for 1990 is 9,000 rooms, and the ministry of tourism has estimated that over the next five ears a staggering Rs.1,250 crores will ave to be invested in building 25,000 otel rooms in addition to those which re already in the pipeline (cost per oom: Rs.5 lakhs).

But there are reasons why investment n this scale is unlikely to be forthcoming. According to Chawla, investment in otel projects is simply not profitable nough for potential investors. The hotel ndustry is highly capital intensive, is subect to punitive luxury and other taxes, is haracterised by long gestation periods, as no freedom to fix tariffs (these are egulated by the government), pays lomestic rates for power which are twice he rates charged for industry, and has he highest ratio of fixed costs to total osts or sales revenue for any industry in he country.

"We are unable to put our product in an inventory, or redistribute capacity like a manufacturing unit can. And unlike an airline, we cannot divert our capacity to a busier route."

N.S. Chawla, Welcomgroup hotel chain's director (marketing and development).

A quality hotel typically has a high sset to turnover ratio. Chawla points out hat a hotel of international standards in Delhi would take about Rs.60 crores to uild today, but the sales turnover of such a hotel would be less than Rs.30 crores. "In other words, it turns over its assets once in two years. You can imagine what the situation would be in resort locations which are seasonal," says Chawla. The industry also has to live with the twin phenomena of inability to fulfil peak demand during the height of the season on account of limited capacity, and large unutilised capacities during the off-season.

Tourists water-skiing on Dal Lake

"We are unable to put our product in an inventory, or redistribute capacity like a manufacturing unit can. And unlike an airline, we cannot divert our capacity to a busier route," he observes. Adding to costs is the fact that hotel sites are usually auctioned to the highest bidder, making it unprofitable for a hotelier to build anything but a five-star hostelry.

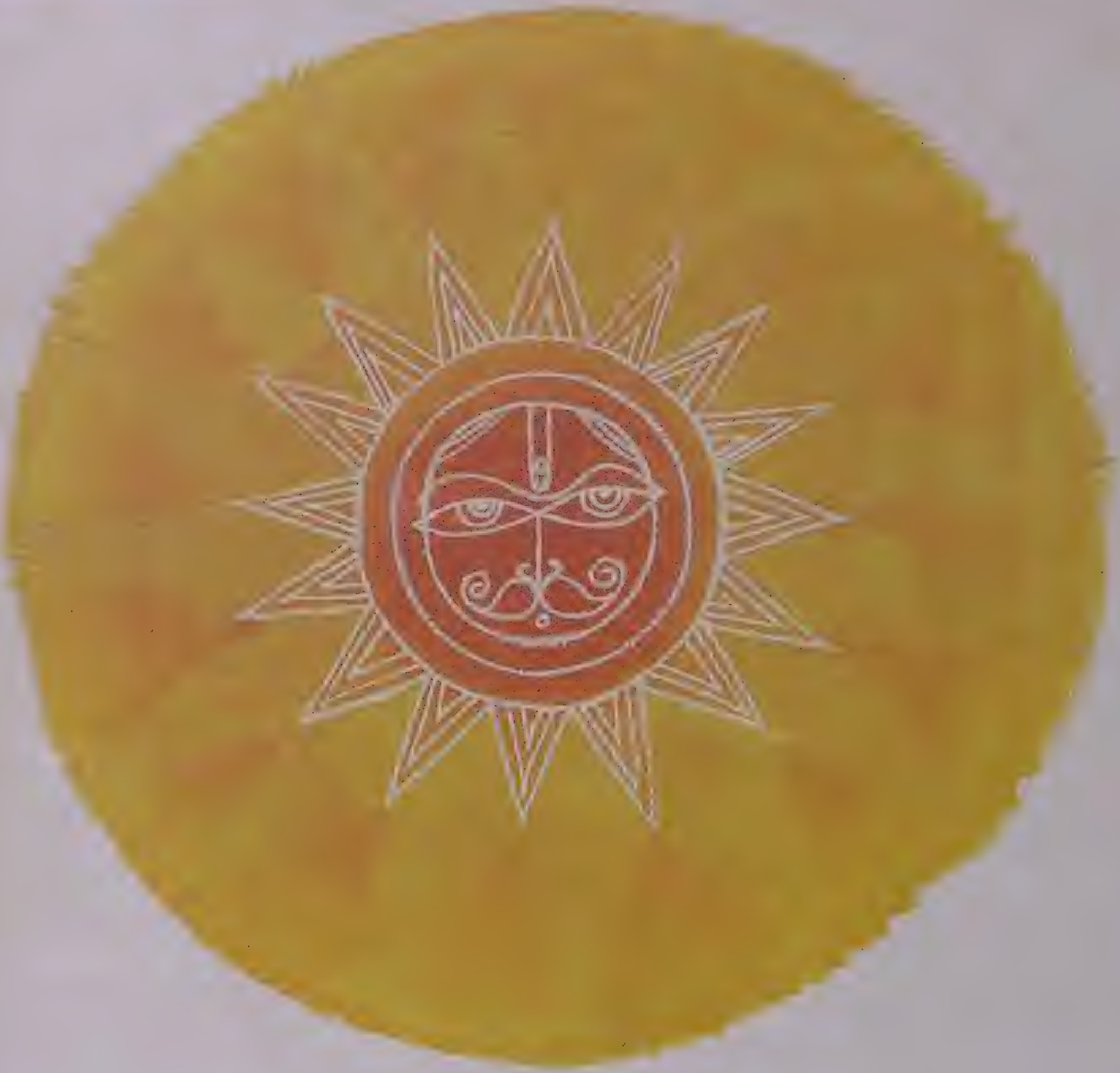
SERIES OF INCENTIVES

The industry has long been seeking incentives and concessions like soft loans at 9.5% to 11% interest, longer moratorium and payback periods, a more liberal debt-equity ratio of 3:1, duty-free imports of capital goods, allocation of land at reasonable prices, tax holidays and other incentives of the sort given to export units under s.80 HHC of the Income Tax Act, 1961, power at industrial rates, accelerated depreciation and abolition of luxury taxes.

To be sure, the government has in recent months announced a series of incentives and concessions for the hotel industry with the aim of placing it on a par with the other export-oriented industries. Four- and five-star hotels whose foreign exchange earnings exceed 50% of their total turnover now get an interest rebate of 20%. For hotels lower down in the star rating, the rebate is 20% if their foreign exchange earnings exceed 25% of their total turnover.

As hotel rooms are likely to continue being in short supply, paying guest schemes have been approved in Delhi, Goa and Calcutta. The ministry of urban development is also trying to identify suitable hotel sites in Delhi and Bombay. Besides, foreign hotel chains investing in India are now allowed an equity participation of up to 40%. The director-general of tourism, B.K. Goswami, recently travelled to the Gulf region to woo NRI's to invest in hotel projects

Colour and India — 4 · Research · Design · Manu Desai



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"We actually have to turn tourists away"

History is bunk, Henry Ford I is reported to have once declared. The mandarins of Indian tourism policy are now apparently in agreement with this sentiment. Culture, history and the rope-trick have been replaced by new USPs *in India's tourist-promotion literature. And the new buzzwords: adventure, fun and sun. In a bold new thrust, India is being sold as the destination for tourists looking for adventure and relaxation, and not merely for those keen on the country's history and culture.*

B.K. Goswami, director-general of tourism, discussed this shift in tourism policy and the other plans of the government to attract 2 million tourists by 1993, in an interview to BusinessWorld. *Excerpts:*

■ **On promoting new tourist attractions.**

Our traditional tourist attractions like the golden triangle of Delhi, Agra and Jaipur are saturated in respect of both hotel rooms and airline seats. Our emphasis is, therefore, on promoting a diversity of interests. India is not only a place with a historical and cultural heritage, but also a place for adventure and fun — with beaches, wildlife sanctuaries and adventure sports. And at this year's international tourism fair in Berlin, the theme of the Indian pavilion was adventure tourism.

■ **On the kind of outdoor experiences India offers.**

We've got fabulous outdoors in this country. We can offer tourists beaches and water sports, golfing, river rafting, camping and trekking, fishing, wildlife viewing, camel safaris, hang-gliding and heli-skiing. And we're developing all these.

Heli-skiing on the slopes of Gulmarg was started in January, and we will also offer this in Uttarkashi and Manali. As for water sports, in the last seven or eight months, no less than 12 beach resorts have been sanctioned in Goa alone, and a water sports institute is also due to come up there.

In order to avoid overburdening Goa, we are also developing beach resorts in Kovalam and Ratnagiri. We are also looking at locations on the coasts of Tamil Nadu, Karnataka and Orissa. The latter, in particular, has excellent beaches in the belt running from Puri to Konarak. Overall, Orissa has very good potential, because with its Sun Temple, water sports and wildlife sanctuaries, it offers a mix of both culture and adventure.

Tourists flock to India for river rafting down the Ganga in UP and the Teesta in Sikkim. We're also trying out a stretch of the Jamuna in Haryana. We soon plan to introduce water sports in the Chilka lake in Orissa and the Brahmaputra and Chambal rivers as well.

■ **On other outdoor activities being developed.**

Resort tourism is picking up, so we've started a health centre specialising in herbal and nature cures in Surajkund, Haryana, across the border from Delhi. We also plan to start one in Kerala.

We also offer golfing holidays. Gulmarg already has the world's highest golf course, and another golf course is coming up at Srinagar. Three new courses are also coming up around Delhi.

Another activity with a lot of potential is shopping holidays for women — both expatriates and Arabs — from the Gulf. Three such tours have been scheduled for this summer.

■ **On other measures to increase tourist traffic.**

Convention traffic and incentive tours (which are basically holidays given by companies to their employees for the good work done), are among the fastest growing segments of tourism today. And the Indian Convention Promotion Bureau has been set up precisely to give an edge to our effort to attract convention traffic.

But first we've got to expand our convention facilities. At the moment, we've got facilities for conferences only in Delhi, Srinagar and, to some extent, in Bangalore. The India Tourism Development Corp. (ITDC) is, therefore, building the necessary facilities in Bhubaneswar, Kovalam and Bangalore.

■ **On the promotion of tourism to wildlife sanctuaries.**

In playing the wildlife card, we have to be careful. We don't want tourists crawling all over our sanctuaries and disturbing our wildlife.

■ **On infrastructural inadequacies.**

One problem is the shortage of airline seats, both to India and within India, because of which we actually have to turn tourists away. We are also short of low-cost accommodation, though several three-star hotels are in the pipeline and this should help remedy matters to some extent. Finally, our surface transport system is also very poor, because of which we have permitted three international rent-a-car companies (Budget, Hertz and Europcar) to operate in India.

■ **On whether the target of 2 million tourists by 1993 will be achieved.**

If you remember that Spain, with a population of about 38 million, attracted 45 million tourists last year, a target of 2 million is nothing for India. As I said earlier, we now have to actually turn tourists away because of a shortage of hotel rooms and airline seats.

■ **On whether there is a danger of oversell.**

In India we have only scratched the surface of the tourism potential. There's no danger of oversell. Tourism will not be permitted at the cost of our culture and environment

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AVAIL OF THE INSTALMENT SCHEME

GOVAN/DRI/P2/87/Re

Tourism has also been declared an 'industry,' but spokesmen say that the benefits that go with such a status are not yet forthcoming. They argue that nothing less than export industry status will do, as tourism is the country's largest single net earner of foreign exchange. While gems and jewellery is the largest foreign exchange grosser, 75% to 80% of its earnings are accounted for by imports of raw material. Tourism, on the other hand, retained about 92% to 93% of the estimated Rs.1,900 crores it earned in foreign exchange in 1987.

"As long as we are earning foreign exchange, why should the finance ministry bother whether we export ash-trays or import John Smith,"asks Sharma of Sita. He believes that if tourism is declared a deemed export industry and given the same incentives as those given to exporters of physical goods, tourism can easily fetch Rs.5,000 crores a year in five years' time.

The biggest change introduced by the government is in the area of surface transport, a perpetual bugbear for overseas visitors. The rent-a-car outfits are expected to get cracking later this year. Says Ajit Rana, managing director of Sapna Tours, which holds Budget's master franchise for India, Nepal and Bhutan: "We propose to operate 3,000 vehicles in India by the end of the second year, and 6,000 vehicles by the end of the fifth year. We will offer both self-drive and one-way rental. A client can start from one station (say, Delhi) and leave the car with a Budget office elsewhere (Jaipur, for example)." And the cars offered will be both Indian and imported.

BIGGEST PROBLEM

"We expect to reach a sales turnover of Rs.300 crores in the fifth year of which Rs.103 crores will be in foreign exchange," says Rana confidently. But it is not going to be smooth sailing. Budget, which decided on the Indian venture after a survey revealed that a tourist's biggest problem in India was "lousy surface transportation," had wanted to import 1,000 cars. But the government has permitted the import of only 50 cars in the first two years and 150 over the next three — a total of 200 imported cars out of a planned fleet of 6,000.

The biggest hurdle is the Motor Vehicles Act, 1939, which provides for neither self-driven tourist vehicles nor for one-way travel. "And without these no rent-a-car scheme can succeed," stresses Rana. A Motor Vehicles Amendment Bill was, therefore, introduced in Parliament in May 1987, but it has yet to be taken up for discussion. Even this Bill limits the number of cars companies can rent out to 20, while Budget, Hertz and Europcar are all thinking in terms of thousands.

Skiing on the slopes of Gulmarg

Another problem is that Maruti cars and vans, the Contessa Classic and the Premier 118 NE have been approved for commercial use in only a handful of states. Tourist industry insiders believe that the lacunae in the Amendment Bill can be sorted out only by withdrawing the Bill and redrafting it in order to make the rent-a-car scheme commercially viable. But Rana says Budget will go ahead with its plans regardless. Europcar is already in business with a small fleet to start with.

Jolly: enormous growth potential

Conference and convention traffic is another area where the government is making a big pitch. Says India Tourism Development Corporation (ITDC) managing director R.S. Jolly: "Conventions have enormous growth potential. India now holds nearly 500 world conferences a year. The fallout is inevitable because delegates take time off for shopping and sight-seeing." ITDC itself expects to commission three new convention centres at Bangalore, Bhubaneswar and Kovalam in the next two years.

INCONVENIENT CENTRES

The conference segment, which accounts for 15% of India's earnings from tourism, has been growing at 15% a year. India nevertheless accounts for just one-tenth of the conference business generated in South and South-east Asia. The reasons: not enough convention centres; the fact that the conference season coincides with the height of the tourist season, when hotels are full; and lack of competitiveness. In recent months, at least two Indian bids for international conferences (those of the Pacific Asia Travel Association and the British Medical Association) are known to have been rejected because they were too high.

With the conference business becoming increasingly competitive — more and more countries are bidding for each conference — the department of tourism and representatives of industry have put on their thinking caps. The result is the formation of the Indian Convention

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Promotion Bureau whose aim, as the name suggests, is to project India as a conference venue in a coordinated fashion.

To match the new directions being given to the tourism policy, publicity is also being streamlined. Tourism secretary S.K. Misra explained in a recent publication of his department that resources and efforts would henceforth be concentrated in the major tourist generating markets and not dissipated by spreading them too thinly in less important areas. The marketing budgets for the more important regions are to be beefed up; the strategy will involve greater reliance on the electronic media, product-oriented rather than mere image building campaigns, and the use of coupon responses in print media campaigns. Privately owned publications such as *Discover India* and *The India Magazine* are also being coopted to publicise India abroad.

There has also been an attempt to promote India as a destination suitable at any time of the year to get over the seasonality factor. And to some extent this has borne fruit. True, 56% of all tourists arrived in the winter months of 1986-87 (October to March), and the period April to June continued to be the lean season. But tourist traffic rose by 9.3% in April-June 1987, compared to the same period of the previous year. (Significantly, growth during this period was higher than for the year as a whole). Equally significantly, monthly tourist arrivals exceeded one lakh in only two months of 1986 (November and December), but in 1987 as many as six months reported arrivals in excess of one lakh.

Sharma: special incentives a must

MEDICAL PACKAGES

Special marketing drives are also being conducted in certain geographical markets. For instance, medical facilities in select cities of India are being publicised in the Gulf. The department of tourism hopes that medical packages to the country will prove popular with wealthy Arabs. In Australia, the results of past efforts are already bearing fruit. With a 51% jump in tourist traffic from Australia in 1986, India is turning into the fastest growing destination for Australians.

The lush greenery and aquamarine splendour of Kovalam beach

In Japan, three leading television networks telecast documentaries (two of them on southern India and Rajasthan) sponsored by the Indian tourist office in Tokyo. The number of packages offered by Japanese tour operators to India has doubled from 78 to 160 between 1984 and 1987, and last year saw a 30% jump in Japanese tourist arrivals in India.

Finally, also during the course of last year, no fewer than nine journals in Hong Kong, Singapore and Malaysia published lengthy articles on Indian tourist attractions as diverse as Kashmir and its houseboats, hill stations, Himalayan holidays, cuisine and the Palace-on-Wheels train. Significantly, tourist traffic from the Far East soared by nearly 30% in 1987.

As the government moves to diversify the country's tourism package and disperse visitors to areas other than the traditionally popular north, dissenting voices caution that there is a danger of resources being dissipated by spreading them thinly over too wide an area. Says Welcomgroup chairman Yogesh Deveshwar: "About 60% of foreign tourists come primarily to see the 'golden triangle' so why don't we concentrate on developing this area? Today, even this region has a poor infrastructure."

STRONG POINT

Deveshwar argues that it is futile to believe that India can offer Americans and Europeans better beaches than they have access to close to their own countries. Sharma of Sita agrees. "It is our cultural heritage that is our strong point," he says. According to Deveshwar, tourism being a state subject in the Constitution, competition between the states to develop their own tourist attractions will only starve the more deserving areas of funds. "Why do we want tourism everywhere?" he asks. "Some land may not be fertile enough for tourism."

In the absence of integrated development, the new policy innovations and publicity campaigns may well create the problem of over-sell. As Ranganath of Indtravels points out, "In the past two years Indian travel agencies have handled more clients than ever before, but I'm sure we've sent back more dissatisfied clients due to the weaknesses in our infrastructure." And the more the number of tourists who go back disappointed and spread the word, the more will others think twice about visiting India. The two million target by 1993 may then prove illusory.

Rajiv Shirali in Delhi

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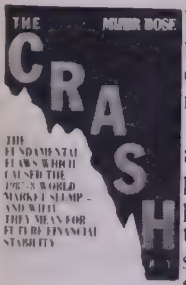
The Meltdown

19th October 1987, will be firmly etched on the memories of all people who have had anything to do with the stockmarket. For that's the day when IT happened — the IT being the much-feared Crash of the stockmarkets that doomsday men like Ravi Batra had for long been predicting. The Crash of '87 was the signal that the party was over for the great bull market of the eighties. It was now time for the hangover.

Ever since then, pundits have been trying to explain the Crash to a stunned — and scared — public. Much has been written on the event, but Mihir Bose — a financial journalist who often writes for The Times *of London, is perhaps one of the few who have been very successful in combining the drama and the* dramatis personae *with analysis and perspective. The following excerpt from his book* The Crash *recreates the atmosphere of Meltdown Monday.*


THE
MIHIR BOSE
CRASH
THE FUNDAMENTAL FLAWS WHICH CAUSED THE 1987-8 WORLD MARKET SLUMP – AND WHAT THEY MEAN FOR FUTURE FINANCIAL STABILITY

The formal beginning of the stockmarket crash can be traced to the morning of Wednesday, 14th October. At 8.30 am that day the US department of commerce published, the monthly trade figures. This showed that for August the trade gap between imports and exports was $15.7 billion, a slight improvement on the previous month but not quite as much as Wall Street had hoped. By the end of that day the Dow Jones Industrial Average was down 95 points. It was at that time a record one-day fall, but at first did not stir a great deal of emotion. Less than two months before, on 25th August, the Dow Jones had peaked at 2,722.42, setting many records on the way up. Since then it had moved up and down, often in sizeable chunks, and the market mood was still very bullish. It had been buy, buy, buy for five years and, it seemed, the parrot was not about to learn a different cry.

However, the next day there was a more dramatic blow. James Baker III, the US treasury secretary, was reported as saying that the dollar would have to fall. It had been falling since the agreement reached at the meeting of the economic ministers of the United States, Europe and Japan at the Plaza Hotel in New York in September 1985. The early years of the Reagan administration had seen the dollar rise relentlessly. Then, in February 1985, Jim Baker, who had been White House chief of staff, swapped jobs with Donald Regan, who had been treasury secretary. Regan the financial expert had been replaced at the most sensitive economic job with a man who was a lawyer, a politician and also a poker player. With this change came a policy change to let the dollar fall and thus reduce American trade deficits.

The idea was that the US Federal Reserve would increase money supply, lowering interest rates and thus attracting foreign exchange investors and speculators into other currencies. It worked and the dollar fell, but by 1986 the policy was again in confusion. The Americans were allowing the dollar to fall quite dramatically while the central banks of Britain, West Germany and Japan were trying to stop it falling too fast. One estimate suggests that they bought an average of $2.4 billion a month throughout 1986 to try and arrest its slide.

In February 1987 the finance ministers met again, this time at the Louvre, the home the French finance ministry shares with the *Mona Lisa*. They produced an agreement that would have intrigued that lady. The dollar had fallen far enough; now the Americans must do something about their budget deficit and Germany and Japan must stimulate their economies. It was again a case of too many pious words, not enough real action, and by September the Louvre accord was no longer being accepted by the markets. The Germans were upset that Alan Greenspan who had just taken over from the legendary Paul Volcker as head of the US Federal Reserve had raised US interest rates. The Americans were upset that in the previous three months German interest rates had risen four times, the last one just two weeks before. The US wanted the Germans to lower their interest rates and stimulate their economy so they would buy more American goods and help America reduce its trade deficit.

HIGH STAKES

In a series of interviews given the weekend before the crash, Baker made it clear the US would not accept the German interest rate rise. *The New York Times* quoted an unnamed 'senior administration official' as saying that if necessary the US would not just let the dollar fall but drive it downwards. Baker would later deny that he had said anything about the dollar and was said to have wanted to throttle the official who briefed *The Times*. But the damage was done. Wall Street feared that a falling dollar would lead to higher inflation, rising interest rates and an outflow of the foreign money that had propped up the shares. Baker, famous as a poker player, was now playing for very high stakes indeed. Far from reassuring the markets it made them more nervous.

On Wall Street the foreign tail had been wagging the American investment dog ever since the American budget deficit began in the early eighties. Foreigners owned $167.4 billion of American

'Baker, famous as a poker player, was now playing for very high stakes indeed. Far from reassuring the markets it made them more nervous

stocks at the end of 1986. If stocks and bonds were combined then that figure was even higher. Of the $309 billion of stocks and bonds held by foreigners in 1986, Europeans owned $218 billion, Canadians $31 billion and Japanese $25.3 billion. During the first six months of 1987, foreigners put $18 billion of new money into Wall Street. In 1986 they invested $17 billion, four times as much as in 1985, when the weak dollar policy came in.

Any fears that foreigners would pull out would have had an effect on the market. In September there had been evidence that European and Japanese investors had started to put their money elsewhere. On Thursday (15th October) the Dow fell by 57.61 points and on Friday afternoon record sell orders hit Wall Street. Above the block-trading desk at the major US investment bankers, Shearson Lehman, traders hung up a notice reading 'To the Lifeboats,' and young dealers shivered in the first chill of the falling bear market.

Clients arrived with thousands of shares for sale and did not even take a deep breath as they disposed of them. By the end of the day a then record 338.5 million shares had changed hands and the Dow Jones was down a record 108.36 points. Over the week to 16th October 1986 the Index had fallen by 235 points, losing 9.5% of its value since its 25th August peak. Growing gloom about inflation, interest rates and the weakening dollar had been heightened by two leading banks increasing their prime rates on Friday. The overseas investors who controlled more and more of Wall Street were getting fidgety and some observers felt that weekend, that the mood had changed.

GRIM BEARISH MOOD

Arnold Monness and his partner Neil Crespi of the small New York stock brokerage firm Monness Crespi Hardt & Co. were on a business trip to Europe. As they returned to their hotel on Friday they heard the news that Wall Street had opened badly. Unable to change their flights they kept a line open to their firm, running up a bill of $6,000 as they monitored the market. By the time Monness arrived at his 16th floor offices on Monday morning he was in a grim bearish mood. By 8.30 all 22 of his employees had been told that their salaries were frozen and there would be no bonuses. He also cut back his plans to enlarge his house, cancelled his winter vacation, and even cancelled credit cards. During the week Monness would start smoking cigarettes again and a 93-year-old broker in his firm who had a list of clients going back to 1915 offered him solace by reading aloud from a dog-eared copy of Kenneth Galbraith's *The Great Crash*, portions of which had been highlighted in yellow.

THE
MIHIR BOSE
CRASH

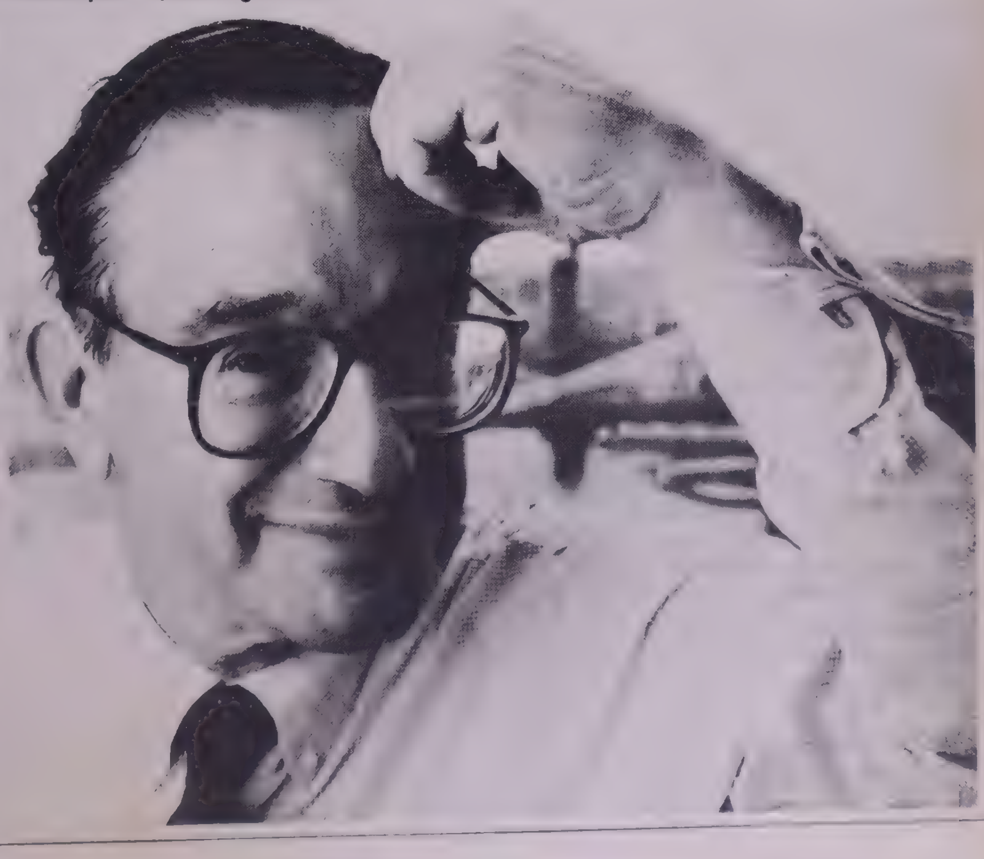
John J. Phelan, chairman of the New York stock exchange, would later designate that weekend as the moment the market turned. So would the arbitrageurs ('arbs') the deal-makers who spot buying opportunities in undervalued companies confident that they would be bid for and make them handsome profits. Their activities had done much to drive the bull market forward. Now they began selling. And the reason for their flight? According to Carl C. Icahn, one of the leading Wall Street 'arbs' and chairman of TWA, it was a new tax bill that included provisions removing tax benefits for takeovers that involved large amounts of borrowed money. This had spawned what was known as the 'junk bond' business. A small firm would make a bid for a mighty one. It would do so by borrowing money on the basis of high-interest low-quality bonds, hence the term 'junk bonds.' The idea was that if the bid was successful then the loans would be repaid by selling off the assets of the larger company.

This takeover boom had fuelled the market rise; it had also allowed 'arbs' like Mr. Icahn and others to play a most important part. But now they felt the game was up and they began to withdraw. Things were not helped by Baker's continuing attempts to play poker with international finance. As noted earlier, on Sunday he had once again vented his spleen about interest rates and this, combined with Friday's Wall Street fall, began to send the first tremors round the world.

The world was in that 'before-the-storm' mood, though London had already had a storm of a very different kind. In London there had been no trading on the exchange on Friday. In the small hours of that morning a devastating freak storm had hit the capital and the surrounding southeast. Millions had been unable to get to work and most people in the city, who normally live in the rich Home Counties surrounding London, had spent the weekend trying to cope with fallen trees, lack of water, power and gas. They returned to their desks on Monday morning still recovering from the effects of a physical storm.

For nearly three years the world's money men had broadcast the virtues of the 24-hour market. As one closed, another opened, and there existed a financial version of the old travel joke: if it is Tuesday it must be Brussels. Now it was: if it is 2.00 am in London, it must be time for Hong Kong to open. The idea was novel, exciting and, it seemed, very

Greenspan: upsetting moves



safe. As international markets grew, so risk would be spread safely round the world. Now, in October 1987, suddenly the money people realised the monster they had created. Risk was spread quickly, dangerously, explosively.

On 19th October the first market to open was Sydney. It finished down, losing almost 3.9% of its value. The market to watch was Tokyo, now the biggest and a market which had long worried the world's financial community. The previous Wednesday George Soros, a leading fund manager, had predicted that Tokyo was ready to bust. Money had poured into the market, money from the Japanese, who are great savers, and money from abroad. Land prices were at an incredible level and, surely, the experts argued, it could not go on. Tokyo, as if partly fulfilling this prophecy, closed 225 points down at 25,746. In Hong Kong, in just 40 minutes of trading the Hang Sang Index lost 133 points and ended the day 421 points down, at that stage its worst ever point loss, and a drop in values of 11%.

As the Asian markets were falling Mrs. Thatcher was dining in the Dallas home of her son Mark and his newly acquired American wife. Gathered round were wealthy Texans tucking into a delicious meal of salmon and lamb. Sometime during the dinner one of the guests went to a phone to check on the markets in Asia. He came back with the grim news: markets were tumbling. Richard W. Fisher, a guest at the dinner and a manager of about $200 million for a small group of wealthy Texans, thought bad times were on the way.

Mrs.Thatcher had a go at reassurance: "The underlying western economies are strong, and growth prospects are good. That is what matters "

RUGGED DAY

These feelings were by then being echoed in London. Even before the London market opened officially at 9.00 am GMT, dealers were aware that this was going to be a rugged day. London is exactly mid-point in the 24-hour stock exchange clock. By the time dealings begin on the London market, Tokyo, Hong Kong and Sydney have gone to sleep, the European bourses of Paris, Frankfurt and Zurich are just getting in their stride and New York is yet to wake up. London's importance had been emphasised by the Big Bang changes of October 1986.

London's market was dominated by young traders who worked hard and played hard, or so they told the world, and did not know what it was for share prices to fall. As usual that morning they got into work early, by about 7.00 am. In the old days the dealers would all have gone to Throgmorton Avenue in the heart of the City of London where the stock exchange was. There they would have met in a huge circular room, called the floor of the exchange, to do their deals. But since Big Bang deals have been done on computer screens from the various offices of the market-makers, with telephones rather than face-to- face communications providing the contact. The stock exchange floor was deserted, everybody stared at screens. But even before they got to the screens that morning, even as they were having breakfasts in their newly designed dining rooms on top of tall buildings, the dealers were aware of the selling wave approaching London from the east. To this was added the backlog of orders from Friday which reflected the fears that New York's Friday fall had generated.

Major British company shares, like those of ICI and Glaxo, standard bearers of the British industry and American favourites, had been trading £1 cheaper in New York on Friday. As soon as the dealers had finished their scrambled eggs and honey with toast they saw red and marked prices down. London opened 136.9 points down.

The red that the dealers saw was not just symbolic. On the computer screens that show stock exchange prices in London, blue is the colour used to denote a share price that is rising, red the colour that denotes a falling share price. For ages London had been a sea of blue, now the screens were literally all red as prices tumbled. In the absence of the trading floor, the old market excitement is no longer there but this could not obscure the sense of panic and dismay. By midday many market-makers were refusing to answer telephones, hoping thereby to avoid losses, and the stock exchange admitted its computer systems were under strain.

Midday brought a temporary lull, but then came news that four US destroyers had destroyed two Iranian oil platforms in the Gulf. This was in retaliation for Friday's Silkworm missile attack by Iran on a US-flagged tanker, the Kuwait-owned *Sea Isle City*. Friday's attack had unnerved Wall Street; the retaliatory US attack forced dealers to abandon their sandwiches and mark prices down even further because of the fear that a Gulf war might be in the offing. Now the only hope was if, somehow, Wall Street recovered. New York opens just about 3.30 pm London time and its movements can make or break the London market. So it proved on 19th October 1987.

THE
MIHIR BOSE
CRASH

At 7.00 am Max C. Chapman Jr, president of the investment bankers Kidder Peabody & Co., New York, arrived at his Manhattan office to attend the normal Monday morning meeting. Over the weekend Chapman had become depressed and that morning his traders gave him even grimmer news. They were worried about the weakness of the dollar following James Baker's weekend comments and the way the world markets were going. Mr. Chapman warned them it would be a tough day.

Not far away at Merrill Lynch the usual Monday morning strategy conference was attended by William A. Schreyer, Merrill's chairman, and Daniel P. Tully, the firm's president. The firm's chief stockmarket analyst, Robert J. Farrell, was deeply pessimistic. The markets could be 200 points down. That morning dealers arriving at the 34th floor trading room of Donaldson, Lufkin & Jenrette, a brokerage firm on Wall Street, found uniformed security guards round the room. The company had been deluged by sell orders and thought the guards might be useful in protecting dealers from irate clients. The New York stock exchange was still to open, but the telephone lines were already buzzing and Dudley Eppel, a managing director, advised caution: 'Let's keep our cool and, maybe, we'll all get through this thing alive.'

Though New York had had its financial deregulation a decade before London and dealings are all computerised, it still has a stock exchange floor where dealers meet as they have done for 179 years. And, as in the past, exactly at 9.30 a bell rings to get the Big Board, as the New York stock exchange is called, underway. John Phelan had been at the exchange since 7.00 am, and was dumbfounded by the early trading pattern. IBM, the so called 'Big Blue' of the Board and the stock which more than any other determined the mood of the market had closed at $134.50. Now it was $125. Merck, the stock threatening to rival IBM as the market favourite, had been $184 on Friday night. Now on Monday morning it was $170. But the worst thing was that these were mere indications, prices the stocks would obtain if there were any buyers. But there were no buyers. Jack Barbanel, a senior vice president felt it was like a trapdoor opening.

'GOING UNDERWATER'

The trapdoor opened first in Chicago. The Chicago futures index plummeted 18 points in a few minutes. In New York this caused chaos and in half an hour 50 million shares were sold, among them Pepsi, General Motors, J.P. Morgan and Hamburgers. One dealer shouted, 'We are going underwater,' then popped a peppermint in his mouth to stay calm. By 10.30 am 140 million shares had been traded, the sort of volume seen in a normal day's trading. The Dow Jones was already down 104 points and the ticker tape which records the transactions could no longer keep up. It had begun to run late.

Just after 10.00 am the heads of Wall Street's investment houses arrived at the New York stock exchange. Phelan wanted to ask their advice. Should the exchange be stopped? It was decided that for the moment trading would continue, though takeover stocks took a pounding as arbitrageurs, who borrow $3 for every $1 they have, were selling as fast as they could.

At 10.40 David Ruder, head of the Securities & Exchange Commission (SEC), arrived to speak at a conference in Washington's Mayflower Hotel. The SEC regulates American exchanges and had come into being in 1934, following the 1929 crash, with Joseph Kennedy, father of John and Robert, as its first head. Ruder had recently taken over from John Shad as head of the SEC. Ruder's theme for the conference was appropriate — international regulations of stockmarkets — but few wanted to listen to him. They were mesmerised by the Dow and every now and again raced to telephones located in cubicles near the conference hall to talk to their offices. Suddenly someone shouted, 'The buy programs have kicked in.' This meant that the computer-assisted trading rooms of the big firms had issued orders to buy. Everything, it seemed, would be all right. The big boys would sort out the mess.

NYSE traders the day after: grim outlook

One of the big boys doing his best to talk the market up was Mark Mehl, director of institutional stock trading at Drexel Burnham Lambert, one of Wall Street's most aggressive and innovative firms. At about 11.30 he had stood up in the company's trading room and shouted, 'All you little weasels. I want your orders!' Then he turned to a colleague and said, 'Did you cancel that vacation? We've got a lot of work to do this week. We're going to make a few million dollars.'

MARKET REGULATOR

But the little weasels could do nothing, for soon bigger forces were intervening. A few minutes later Ruder emerged from his Washington conference to be besieged by reporters. When the Dow reached 2700 Ruder was convinced that the markets had climbed too high. In fact for some months he had been worried about the way the market was trading and he would later tell a congressional hearing that stock index futures did contribute to the volatility to some degree. He was also concerned about the margin system, the order-routing system and about whether the market had enough money to handle such big trades. The investigations the SEC launched looked at the clearance and settlement systems of broker-dealers and urged firms to maintain adequate back office staffs. But now with the market in chaos the journalists wondered what he, as market regulator, was going to do.

What was his reaction to the market confusion? Did he think they should be closed? The questions came thick and fast and, like the market, Ruder was overwhelmed. As he would later confess, America's market regulator 'did not have in my consciousness' what sort of day it would be. He said he had spoken to Phelan that morning, and it would be possible to have a temporary halt to the market. What Ruder meant to say was that the SEC had the power to order a 30-minute halt to calm markets down. He had no thought of closing down the markets and hoped this comment would clarify the SEC's powers. Instead, it just produced more hysteria. 'Crazy' said a White House official and the New York markets reacted by shedding a further 100 points. Within minutes of the wire services reporting his comment and the initial rally, which the big firms had initiated, was halted. Leibler, president of the American stock exchange, was deluged with calls. Was the exchange closing down? Phelan was convinced that the exchange must stay open as a symbol of the economy of the United States. The world, he felt, was watching.

THE
MIHIR BOSE
CRASH

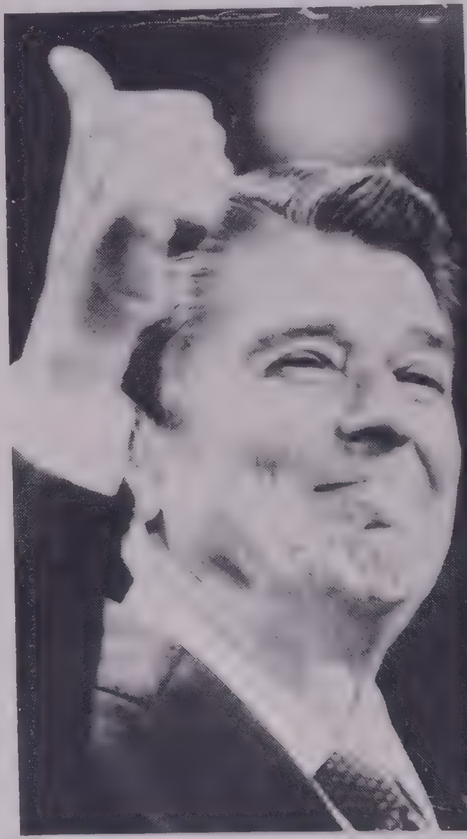
Indeed it was. It was now 4.00 pm in London and *The Financial Times* Index was down 302.1 points. The market had lost an eighth of its value since trading began and stockbrokers could only gape at their screens in wonder. An older one turned to a young man and said, 'That's a record.' The young broker replied, 'Sir, this is a golden album.' BP, on offer for sale to the public at 330p, was now available in the market at 316p and there were growing demands that the government stop the issue. A couple of days ago underwriters could not wait to count the cash the sale would bring. Now they were complaining it would ruin them.

Wall Street was now hit by another of its own creations — portfolio insurance. Some $100 billion of pension fund and insurance company money is kept in indexed funds. This is invested in precisely the same stocks that make up the Standard & Poor's 500-stock Index. This is more broadly based than the Dow Jones Industries Average, covering just 30 stocks. The value of the fund matches that of the index. Portfolio insurance aims to match stocks with options and futures, which are bets on how stocks will move, and it arises from the fact that it is difficult to sell hundreds of stocks at once. It is a reactive strategy designed to provide protection for stock portfolios against market falls. Rather than sell stocks as they fall, portfolio insurers sell stock-index futures contracts, which are a surrogate for stock. The person to whom the insurer sells the contract is obliged to deliver the contracts at a future date at the contracted price. If the stockmarket continues to fall, the futures can be bought back later at a lower level, thus bringing big profits. This will make up for the loss on the fall in the value of the actual stock. So the funds sell stock-index futures when the market falls dramatically. Loss in value of stocks is offset by profit from sale of futures. But, if dozens of fund managers do that at precisely the same time, then huge orders swamp the futures exchanges.

By early afternoon this is exactly what happened. Waves of index futures selling in Chicago by portfolio insurers overwhelmed the market there. The value of the stock-index futures went below that of the stocks themselves by a very big margin. The selling of stock futures artificially depressed that market even further and made them very cheap in relation to the underlying stock. So arbitrageurs, hoping to make a quick turn, bought the futures contracts and sold stock. This was contrary to what market theorists said could happen and it meant it made sense to buy the futures and sell the stocks. This further depressed stock prices in New York and set off a new wave of selling.

So portfolio insurance, instead of limiting loss, made the market on its way down run that much faster to the bottom. What the strategy was doing was not limiting risk but pushing stock prices down even further in a falling market. A financial strategy meant to insure against loss had actually created the potential for more loss. By 2.00 pm Dow Jones had crashed below the 2000 barrier, 250 points down from Friday. Four hundred million shares had been traded, and there were still two hours of trading left.

Still there was no restraining the bullish mood of Mehl of Drexel Burnham Lambert. Just after 12.30 he shouted at his traders, 'Let's put our money where our mouth is and find some stock to buy.' As the market continued to fall he remained bullish, unable to believe it could fall any lower. As in 1929 Wall Street's big boys tried to halt the downward plunge. Clients were rung to persuade them to buy back shares. In America companies can buy back their own shares, something that is more complicated in Britain or in Australia. Just before 1.50 National Distillers bought back 540,000 shares. But already the first casualty had been announced. A small broking firm in Grand Rapids, Michigan, H.B. Shane & Co., went under because of losses its customers suffered on trading options.



Reagan: the markets said thumbs down

As the arbitrageurs had feared, several mergers began to be called off, including that of United Cable Television for United Artists Communication, Jardine Matheson's bid for 20% of Bear Stearns & Co. and the Dart Corporation for Dayton Hudson which had already meant a loss of $70 million. Carl Icahn cancelled his bid to buy the remaining 27% of TWA which he did not control. He had offered $35 a share; on 19th October TWA was around $14 a share if anyone actually knew what the price was. The tape was 111 minutes late and nobody knew what the market was doing.

By then London had closed 249.6 points down, a late rally by buyers bringing it back a bit, with a record £50.6 billion wiped off share values as 800 million shares changed hands, up 50% on a normal day. The day had seen 160,000 price changes, the highest number ever recorded by the stock exchange computer.

The panic wave had now rolled across the US to San Francisco. A few days earlier an earthquake had shaken the city, reviving fears about the big earthquake. The share market shakes were of a different kind, but just as unnerving. And as so often in times of panic with paper money, people turned to gold. At 10.00 am a run began on Krugerrands, Canadian Maple Leafs and American Eagle gold coins held by a precious-metals and foreign exchange brokerage firm. Within minutes the company's entire stock of 2,500 coins worth nearly $1 million was sold out. Three quarters of an hour later pink buy and sell orders littered the floor of the Pacific stock exchange. One dealer shouted, 'I surrender,' another slammed his fist into the computer terminal.

SITTING DUCK

All over the United States investors were just beginning to realise what was happening. A physician, Richard Weiss, pulled off the freeway in Los Angeles and phoned his broker. He sold his entire portfolio with a loss of $100,000. Peter Karabashion, a wealthy land planner from Atlantic City, was out shooting wild ducks in Minnesota. He was just loading his guns in his friend's kitchen when he heard the news. He cursed his luck. He had thought of moving out of the market just before the crash but failed to do so. He was now a bit of a sitting duck for the falling market. Fidelity, the high profile US fund manager, managing $75 billion worth of mutual funds (the US equivalent of Unit Trust), was being swamped with telephone calls by investors who wanted to sell. The company decided to invoke a rarely used rule which delayed such redemptions by seven days.

But the markets could have no such breathing space. Wall Street's fall had worsened since lunch. Politicians' attempts to talk the market up only added to the confusion. Mrs. Thatcher in Dallas had a go at reassurance: 'The underlying western economies are strong, and growth prospects are good. That is what matters.' President Reagan, shouting over the roar of helicopter blades, was sure that there was no reason to panic, 'All the economic indicators are solid.' But this, instead of calming the Americans, reminded them of Herbert Hoover's attempts to calm the markets and the economy after the 1929 Crash.

THE
CRASH
MIHIR BOSE

In the last hour of trading the Dow crashed a further 212 points. As exhausted dealers reeled away, all sorts of dubious records had been set: 604 million shares traded, market 508.32 down, a 22.6% decline in value, overshadowing the drop of 12.9% on Black Tuesday in October 1929. As the markets closed people just stared at each other. Words like crash began to be used for the first time. Despite the chaos, New York's Big Board had had some order maintained by specialists who trade in individual stocks and probably lost $750 million on Monday and Tuesday. It was far worse on the over-the-counter markets where the smaller up-and-coming companies are traded. There are no specialists to ensure that sellers can get a buyer and as the market fell buyers just disappeared. There was just no money to buy shares in the market and the carnage was appalling.

Officials could only think in terms of nuclear catastrophe or divine acts to explain events. John Phelan called it 'the nearest thing to a financial meltdown that I ever want to see.' In St. Louis, Elliot Stein, chairman of one of the city's largest investment firms, Stifel Financial Corporation, led his employees in prayer. In Harry's pub at the American stock exchange the crush at the bar was five deep and Kevin Smith, a consultant, after expressing delight that the young yuppies in Wall Street had had 'a colonic lavage,' took refuge in Kipling: 'terror and slaughter return.' Outside Grand Central Station the mood reflected the contemporary American reaction to disasters. Thousands of commuters stood absolutely still watching the Merrill Lynch electronic bulletins. One commuter whispered, 'It's like a space shot or an assassination.'

FIRE A SILVER BULLET

Even before the New York exchange had opened, the White House had been receiving calls from investment houses warning of the storm brewing out east. Throughout the day Howard Baker, the White House chief of staff, had been talking to the exchange officials and, as the markets closed, the White House asked Phelan how they might be able to help. Phelan said if you have one silver bullet then fire it and indicate that interest rates are coming down. At 4.30 pm it was announced that James Baker was extending his brief stop-over in Frankfurt to meet West German finance minister Gerhard Stoltenberg and Bundesbank President Karl Otto Pohl. The talks lasted seven hours and they issued a statement saying efforts would be made to stabilise all interest rates and the Germans would lower theirs.

Wall Street's final collapse had come just as the BBC Nine o'Clock News was going on the air and newscaster Martyn Lewis just managed to put the phone down before telling the nation the dramatic news. This was high drama and Lewis would later recall the occasion as a piece of electronic journalism at work. Earlier that evening in Paris, Jean-Luc Lepine, director-general of Banque Demachy SA, left his Paris investment bank's offices for a business gathering at an elegant Parisian restaurant. The Dow, he was told, was down 180 points. By the time the cheese arrived it was down 300 points. As they were preparing to leave the restaurant somebody said it was down 500 points. Lepine thought it was a joke.

The author Mihir Bose

The question now was whether or not the New York market would open on Tuesday. At 4.20, just 20 minutes after the close, Phelan announced the markets would open on Tuesday. That evening Phelan met with the chief financial and operating officers of the largest Wall Street firms. Some said they were dangerously close to their trading limits, some thought a temporary suspension might be useful.

As these discussions were going on in New York, dinner was being served in the various London clubs and at one of them Nigel Lawson dined with Sir Peter Middleton, Permanent Secretary to the Treasury. They drank Perrier water and blamed the young yuppie dealers, the system and America. This was Wall Street's problem, not ours. Yet there had been young dealers during the 1929 Crash and nobody had spoken of the faults of the system when the markets were going up. So why now? It showed a lack of understanding of markets and the fact that nobody knew quite how they behave.

INCREASED VOLATILITY

True, Big Bang had changed the physical shape of the London market and this may have played a part. The volume of trading had increased sharply, personal contact had been lost. Before Big Bang, when trading was on the floor, you couldn't run away, now you just didn't answer your telephone. This, some felt, contributed to volatility since, by not setting a price, the price fell further. City expert Peter Arbuthnot in a bitter letter to *The Financial Times* said, 'On the old-style stock exchange, jobbers faced the howling pack bravely. Today, mesmerised by their television screens, market-makers can cower behind the endlessly ringing telephone.'

In the old days there weren't so many firms, everybody knew what everyone else was doing and trading was in a much more confined space. Now there are more firms, not all in the same place, trading on screens and telephones with more information. That in itself makes for volatility. Interlinking of markets meant that some European equities were trading more actively in London than in their own countries, with London having longer trading hours in German equities than Frankfurt. Round the world people were still trying to come to terms with Black Monday, but in the Pacific a terrible Tuesday was taking shape. Now the 24-hour market, with all its modern gadgetry, really took its toll. One collapsing market chased another one round the sun. Like a boxer, punch-drunk but unable to leave the ring, the markets took a terrible pounding. There was no escaping the 24-hour clock.

(Excerpted from Mihir Bose's book, The Crash, *published by Bloomsbury Publishing Ltd., 2 Soho Square, London W1V5DE.)*

The book is available at a special price of Rs.250 from its Indian distributors, UBS Publishers' Distributors Ltd., 5, Ansari Rd., Post Box No.7015, New Delhi-110002.

BusinessWorld
March 28—April 10, 1988

JAPAN

Largest and meanest donor?

Japan will overtake the US to become the world's largest aid donor in budgetary terms in the coming year. Government spending plans, now before the Diet, call for official development assistance (ODA) of ¥1.35 trillion in fiscal 1988 (beginning on 1st April). At the current exchange rate of around $1:¥130, the aid budget is $10.4 billion, almost 20% more than the US aid appropriation for the year ending in September.

No mean achievement for a country which appeared on the other side of the aid equation as a borrower until little more than 20 years ago. To be sure, Japan started paying war reparations in 1955 and joined the rich donors' club, the Development Assistance Committee (DAC), six years later. But until the mid-sixties, Japan was the World Bank's second-largest borrower after India.

Leadership by example is never enough. Cash helps too. The world is coming to accept Japan's status as the largest net creditor nation and dominant private banker. The aid figures provide something new to contend with, because they confirm Japan's emergence in a formal, political sense as perhaps the leading participant in the debate between the world's rich and poor countries. For the Japanese, so anxious to be accorded proper recognition within the club of industrialised countries, the figures prove, if proof were needed, that they have "arrived."

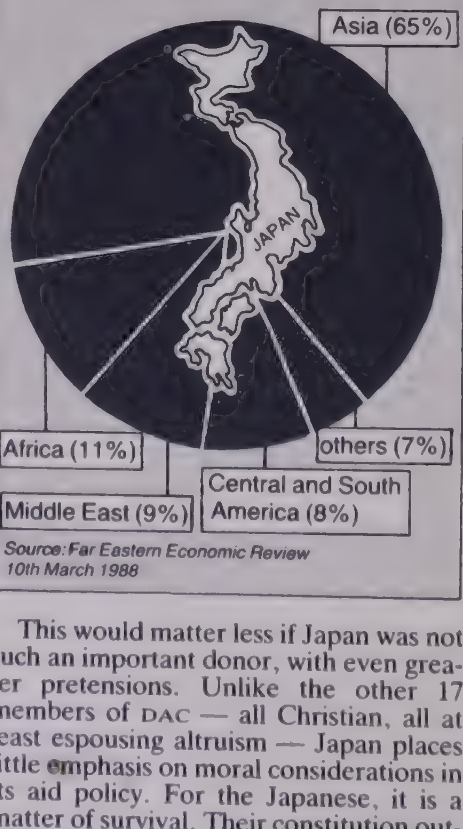
So much for symbol. The reality is a ittle different. True, Japan's aid budget s the biggest, but in relation to the size of he economy, the figures are rather less mpressive. As a share of GNP, Japan's aid spending ranks 14th out of the 18 members of DAC, at 0.29% in 1986. The group's average was 0.35% (the US came at the bottom with 0.23% of GNP). The rise in the yen has a lot to do with Japan's emergence as the No.1 donor. It was the ourth-biggest aid-giver as long ago as 968, and contended for second place with France for several years.

More important than the decimal points is that the quality of Japanese aid s low. The programme gives away less nd lends more to developing countries han most other donors, and makes loans on tougher terms. While many rich countries have moved away from lending for ig capital-intensive projects, Japan's aid s still heavily weighted in favour of infrastructure developments which often enefit the better-off at the expense of he very poor.

Administrative incapability. The problem of improving the quality of its mercy is worsening because the quantity of aid has grown to the point where Japan has difficulty actually spending the money the government appropriates. The system for administering the aid budget cannot cope. It is understaffed and suffers from bureaucratic rivalries. Ministerial aid objectives and the means to achieve them are often in conflict. Almost every important department becomes involved in the aid process and the procedures themselves have changed little from the time when Japan was spending on aid a mere 1% of what it does today. No politician is prepared to give a lead.

Where Japanese aid went in 1986

(Net disbursements by region)



Source: Far Eastern Economic Review 10th March 1988

This would matter less if Japan was not such an important donor, with even greater pretensions. Unlike the other 17 members of DAC — all Christian, all at least espousing altruism — Japan places little emphasis on moral considerations in its aid policy. For the Japanese, it is a matter of survival. Their constitution outlaws the waging of war, so it cannot use military might to exert its influence abroad. Economic aid has to be a prime method of winning foreign friends and of trying to secure Japan's future. Half the imports of this resource-poor country come from developing nations.

Japan's stake in the Third World is growing faster than any other country. Its total new flow of resources, both public and private, to developing countries was $14.8 billion in 1986 — 23% of all the money from DAC members, and well ahead of the US. Private flows from Japan alone soared to $9.8 billion. The growth in ODA has extended the country's influence far and wide. It provides development assistance to 134 nations and territories and is top donor to 18 of them. About two-thirds of bilateral ODA to Asia comes from Japan.

Pressure from outsiders on Japan to do more for the Third World is at least as strong as are the domestic forces. Many in the West have for years believed Japan should shoulder more responsibilities in line with its economic importance. And if it does not do more to improve the way it dishes out the alms, increasing numbers of people will believe that Japan's aid ambitions are little more than "window dressing."

This view is understandable, but unfair. Aid bureaucrats are aware of the difficulties of living up to the new expectations and are trying to find ways around the problems. Several people in the government are very critical of Japan's official aid policy, but concede that it is changing for the better — though not fast enough.

Ambitious target. The institutions have to keep up with an aid programme that has been expanding rapidly for more than 10 years. In 1978, then prime minister Takeo Fukuda promised at the Bonn summit of industrial nations to double his country's ODA by 1980. Having achieved this, the government promised to double it again in the five years to 1985, and in September of that year it announced its most ambitious target. Japan intended to spend a total of $40 billion between 1986 and 1992, and "will make efforts" to double the amount of ODA in the final year compared with the sum spent in 1985.

In fact, the aid budget has risen from ¥840 billion in fiscal 1980 to a request for ¥1.35 trillion in fiscal 1988, a remarkable achievement considering that government spending as a whole has been frozen in real terms for most of the period. Defence and aid are the only two areas to have escaped the austerity. The trouble is that actual spending from the aid budget has not kept pace with the amounts earmarked for the purpose.

The government does not provide figures for net disbursements, but the DAC does — by calendar years and in terms of 1985 US dollars. This shows that aid spending in the five years to 1986 grew by 3.4% annually, while the aid budget rose by 9.8% a year.

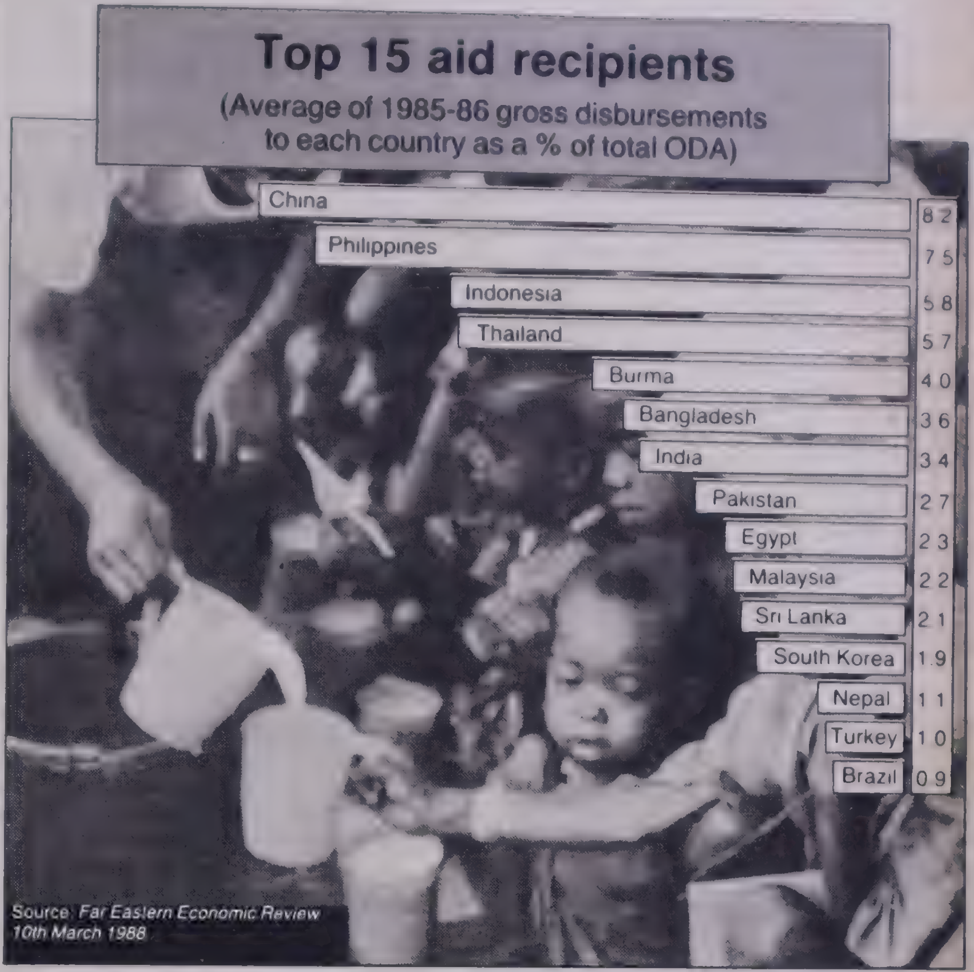
The DAC only looks at actual spending and removes the effect of the rise in the yen against the US dollar by anchoring the figures to their average 1985 level of $1:¥239, so it masks the dramatic dollar-based rise in ODA commitments since the yen began to rise in September 1985. By DAC's yardstick, aid spending by Japan totalled $5.6 billion in 1986 (15% of all ODA), still a long way behind that of the US which disbursed $9.6 billion.

Japanese officials reckon the country's net disbursements rose to about $7 billion last year. They have therefore brought forward to fiscal 1990 the date by which they intend to reach the target of doubling 1985 disbursements. By then, they would need to spend $7.6 billion, which should be easy to achieve. The other goal — of spending $40 billion in 1986-92 — will be harder to reach, and has not been brought forward.

One way of breaking the spending log-jam has been to try to circumvent it. The scheme to recycle $30 billion of Japan's current-account surplus in the three years ending in mid-1990 is intended to be rapidly disbursed mainly through multilateral agencies like the World Bank and through co-financing arrangements. As of the end of January, $14.24 billion was committed and the programme has been so successful, says Koji Kashiwaya, deputy director-general of the finance ministry's international finance bureau, that the recycling target could be increased to $40 billion.

Lowest grant. Many say that Japan could afford to recycle a lot more than this, and on easier repayment terms, too. Much of the capital-export programme does not qualify to be counted as ODA. Others argue that Japan has tended to lose sight of the need to improve the quality of its assistance. For one thing, the grant element as a proportion of development assistance is far and away the lowest in the DAC: 78%. Fourteen members of the group (including the US) had ratios of at least 96%.

Japan says it is keen to raise this ratio, but does not say by how much exactly nor when it hopes to achieve it. One reason is that 65% of its bilateral aid goes to Asia and much of that is spent in middle-income countries such as those in ASEAN (receiving 24% in 1986), which do not qualify for grant assistance. In the past, 70% of Japan's ODA was disbursed in Asia, with the Middle East, Africa and Latin America receiving 10% each.



Source: Far Eastern Economic Review 10th March 1988

Foreign ministry officials say that if Asian economies continue to outperform the rest of the developing world, the Asian share could fall to 60% before long and Africa's could rise to 20%, thereby raising the grant element. China is likely to continue to receive the most aid for many more years. The Philippines, to which aid has grown fastest, will remain in second place for some time.

The Ministry of International Trade and Industry (MITI) says that the reduction of the rate of interest charged on concessional yen loans is the highest priority for improving the quality of Japan's aid. The Overseas Economic Cooperation Fund (OECF), Japan's chief soft-loan agency, is the country's only ODA lender and mostly charges 3% over 30-year terms with a 10-year grace period (the long-term prime rate is currently 5.5%). Lower interest rates, though, do not help much when the yen is soaring. The Indonesian rupiah, for example, has fallen by 65% against the yen since mid-1985 and few seem to think the yen will weaken against other currencies in the foreseeable future. Japan has no solution to this, though the finance ministry is trying to find out how central banks in such countries as Indonesia reduce their foreign-exchange risks.

Japanese aid is "hard" in another sense. It is far and away the largest donor for such capital projects as dams and power stations. Spending on these comprises 37% of total aid, more than double the average of donor countries. Technical cooperation is growing but was only 14% of bilateral ODA in 1984-85. Japan is still heavily involved in project lending (84% of all ODA loans in fiscal 1985), at a time when the rest of the aid-giving community is moving away from this form of assistance towards what are called sectoral and programme loans. These latter loans are where the money is used for general economic restructuring.

Japan is reluctant to engage in the sort of "policy dialogues" such loans entail. It stirs up memories in Asia of World War II, and Japanese officials anyway prefer to leave the Third World to work out their own development policies. The OECF and other aid agencies will only undertake aid projects which are requested by the recipient, but this is often a convenient fiction. Japanese businesses, particularly trading com-

WHY WAS GUJARAT THE NO.1 CHOICE FOR THE WORLD'S NO.1 CYCLE MANUFACTURER?

> **"With the speed at which the Gujarat government cleared the formalities, our Rs. 21-crore joint sector project with GIIC, Gujarat Cycles, was set up in a record time of 16 months, at Vaghodia near Baroda."**

With export orders pouring in at a breakneck speed, there was only one thing for Hero Cycles to do to fulfil its commitments.

Either expand its existing plant in the North or set up a new project virtually overnight, to meet the increasing demands.

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GIIC took up this project on a war-footing and not only were all the formalities speedily cleared but even the ancillary industries, without which it is not possible for a cycle project to function, were allotted sheds immediately and all possible assistance was provided to set them rolling

Hero Cycles' Chairman had this to say about the Company's experience in Gujarat : "With the speed at which the Gujarat government cleared the formalities, our Rs. 21-crore joint sector project with GIIC, Gujarat Cycles, was set up in a record time of 16 months, at Vaghodia near Baroda."

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Bombay 400 020
Phone : 222165, 222146, 222087, 222474

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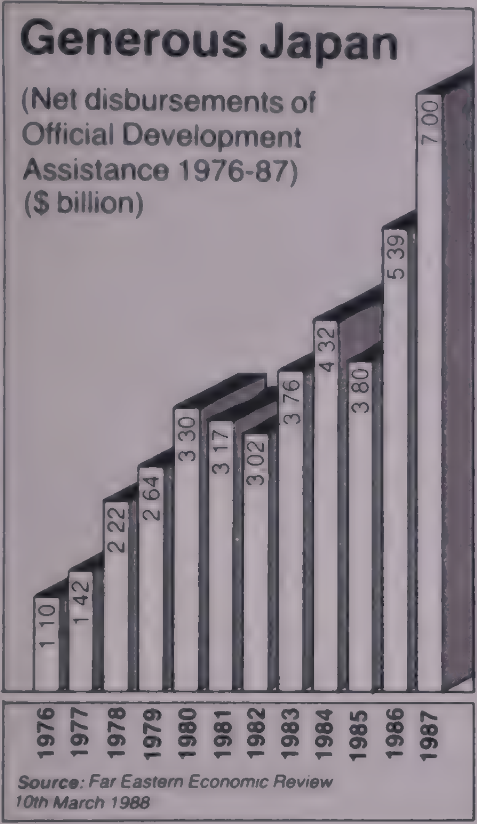


Generous Japan

(Net disbursements of Official Development Assistance 1976-87) ($ billion)

Source: Far Eastern Economic Review 10th March 1988

panies, know more about what is going on in some developing countries than many host governments do. It is these companies which frequently suggest projects to the recipient government which can then make formal requests to Tokyo for help.

Untied aid. This does not mean that Japanese trade is more tightly tied to aid than other donor countries. For what little the statistics are worth, about 70% of Japan's ODA is completely untied, well above average for the DAC group. Diplomats in Tokyo say that about 80% of the money is ultimately spent on Japanese goods and services, but aid specialists suggest that all donor countries promote trade to a similar extent.

In the sixties and early seventies, MITI used Japan's aid programme as part of its export drive, but times have changed. The $30 billion recycling plan is completely untied, as is almost all the $500 million non-project grant aid extended to sub-Saharan Africa over three years to mid-1990.

As one might expect, Japanese consultants have tailored feasibility studies and surveys to specifications which suit Japanese construction firms. Now both consultants and builders are being squeezed by the high yen. Firms from Japan won only 1% of contracts tendered by the World Bank in 1986.

Nigel Holloway
(By special arrangement with the Far Eastern Economic Review, Hong Kong)

AIRBUS–MCDONNELL DOUGLAS

Getting their act together

The likelihood of an airliner manufacturing agreement between the European Airbus group and McDonnell Douglas of the US increased sharply when a formal go-ahead for collaboration talks between the two was given by the four Airbus partner governments meeting in Paris earlier this month.

The ministers also agreed to examine proposals for turning the Airbus Industrie consortium, owned by Aerospatiale of France, Messerschmitt-Bolkow-Blohm of West Germany, British Aerospace and Casa of Spain, into a public limited company at a meeting in Madrid next month.

Jean Pierson, the Airbus Industrie president, has been given until June to conclude a possible cooperation framework with McDonnell Douglas. Jacques Douffiagues, the French transport minister who chaired the meeting, said he hoped an agreement could be reached by the summer. Ministers from the four countries — West Germany, France, Britain and Spain — which back the Airbus, are in favour of talks with the US manufacturer to improve the financing basis for present and future Airbus programmes. In a communique issued at the end of the meeting, the ministers said they had given Airbus Industrie "a mandate to continue, with necessary diligence, negotiations with McDonnell Douglas with the desire of reaching a balanced cooperation agreement of benefit for the two sides." Although McDonnell Douglas has called in the past for the two airliner manufacturers to join forces to challenge Boeing's dominance, the negotiations are likely to be tough.

Government officials and chief executives from the four companies said the most likely area for collaboration was on a smaller 100- to 150-seater aircraft and on a large high capacity aircraft in the Boeing 747 class. The latter project could make use of a stretched air frame from McDonnell Douglas's proposed long haul MD-11 airliner and the new wing sections to be developed for the Airbus A-330 aircraft.

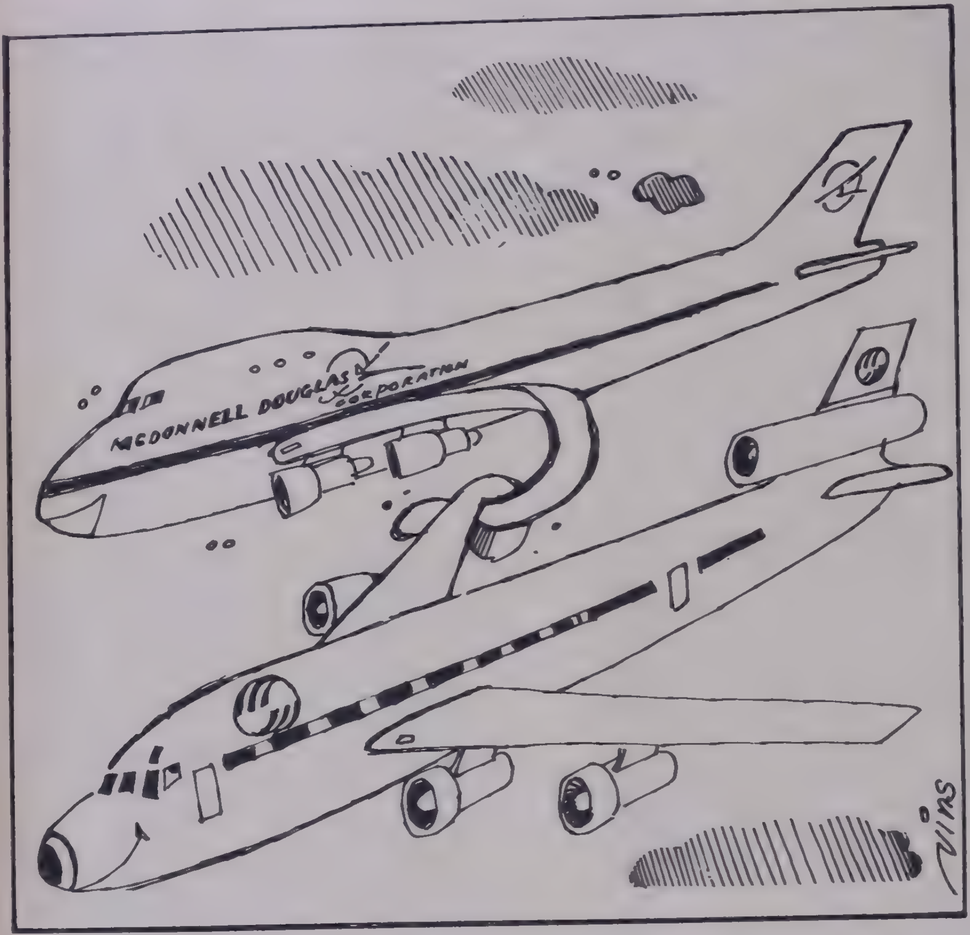
Formal talks between Airbus Industrie and McDonnell Douglas were broken off 18 months ago, although some informal contacts have been kept up since then with partner governments and shareholders.

Exacerbated problems. The two groups have held sporadic talks on cooperation over the past few years, but this time, the efforts to find a collaborative basis will be real. Two new factors have heightened governments' desire for a deal with McDonnell Douglas. The fall over the past two years of the dollar, the currency in which international airline sales are denominated, has exacerbated Airbus' financing problems. Its manufacturing costs are mainly in European currencies, while its income is in dollars. Even without the fall in the dollar the consortium did not expect to make any return on capital at least until the mid-nineties.

Additionally, the US government's perennial complaints of unfair Airbus subsidies by European governments have raised the threat of a damaging trade war in which Airbus sales to the US would be hampered by sanctions. An agreement with McDonnell Douglas on production, technological and marketing collaboration over future airliner projects would reduce Airbus manufacturing costs by transferring some output to the US and through greater economies of scale. Further, it would take the wind out of American complaints that subsidies for Airbus were enabling the Europeans to steal market share.

European governments' views have also, however, been strongly influenced by a more structural analysis of the long-term shape of the airliner market, in which Airbus and McDonnell Douglas are very much the also-rans in the battle with Boeing. As one French official said, it is natural that the number two and three forces in the world airliner market should explore the basis for collaboration against the number one player which accounts for around 70% of airliner sales.

Tough challenge. A consensus came to the surface among the four Airbus governments that, just as world aero-engine makers compete in some projects and collaborate in others, Airbus Industrie and McDonnell Douglas were now forced to find a framework for cooperation. Pinpointing the exact areas, howev-



er, will be a tough challenge for Airbus Industrie negotiators and their shareholder companies in the next few months. The most likely projects, according to Henri Martre, chairman of France's Aerospatiale, were in the short haul section of the market for aircraft of less than 150 seats and for a high-capacity long-haul aircraft which would challenge the Boeing 747 head-on.

However, memories are still alive of past contacts between the two groups in which either or both have tried to play for time rather than reach any agreement. Talks over the next few months will be heavily influenced by competition between Airbus and McDonnell Douglas on their existing projects for longer-haul aircraft, the A-340 and MD-11 respectively. These are due to come into service in the early nineties.

It would not be good tactics, said Hanns Arnt Vogels, the chairman of Messerschmitt-Bolkow-Blohm, to ask McDonnell Douglas to give up the MD-11 and join forces with Airbus on the A-340 and its sister airliner, the A-330.

David Marsh
(By special arrangement with the Financial Times, London)

JAPANESE INVESTMENTS

A yen for art

Big Japanese companies which open private art museums for prestige and profit and entrepreneurs who have made a killing out of Tokyo's real-estate boom are behind Japan's transformation into the leading patron of western art, or at least of French Impressionists. Their acquisitive instincts, aided by the strong yen, have resulted in fine-art imports doubling in US-dollar terms over each of the past two years. Fine-art imports are now worth more than imports of beef and telecommunications equipment, and about half as much as imported cars.

Japan's registered imports of original paintings in the first 10 months of 1987 were worth ¥87.1 billion (Rs. 870 crores), 85% more in yen terms than in the same period of 1986, when imports jumped 41% from the previous year's level. The true extent of the trade, however, almost certainly is even more than this. The figures assume that all, or nearly all, imports of pictures are registered and find their way into the country's trade statistics. In fact, Tokyo customs officials say many pictures are unregistered, brought in by travellers returning from the US and Europe.

The Japanese art-buying boom took off in the summer of 1986. This, says Kazuo Fujii, owner-president of Fuji Garo, one of the leading galleries specialising in western art in Tokyo's Ginza district, is when dollar-denominated auction prices for prime western art began to look cheap to local collectors. But the yen revaluation has not been the only cause of the boom. Japan's new-found affluence has forced up local prices of western-style paintings by Japanese artists. For example, a picture painted in the thirties by Kaii Higashiyama, one of the better known Japanese Post-Impressionists, may now not be much cheaper than a Monet.

> **'Japan's fine-art imports are now worth more than imports of beef and telecommunications equipment, and about half as much as imported cars'**

The western art world was "shocked" in mid-1987 when a picture by Kyoteru Kuroda, a major Japanese painter who died in 1924, sold at a London auction for £1.76 million (Rs. 4.1 crores), nearly five times the value placed on it before the auction. Fujii says the sale showed the extent to which first-class Japanese western-style painters have won recognition outside Japan. But the Japanese dealer who bought the picture may easily have calculated that the resulting publicity would help to boost the market for Japanese paintings inside Japan.

Emerging class. Another factor in Tokyo's art boom, noted by both Fujii and Kazuko Shiomi, Tokyo representative of the leading London auction house Sotheby's, is the emergence of a completely new class of buyer. Until 1985, doctors and owner-presidents of small export-oriented companies were the main buyers of western art, Shiomi believes. Today real-estate companies or individuals who have sold real estate in the runaway Tokyo land boom of 1986-87 have taken over as the biggest spenders. Fuji says real-estate operators represent 10%-20% of his customers.

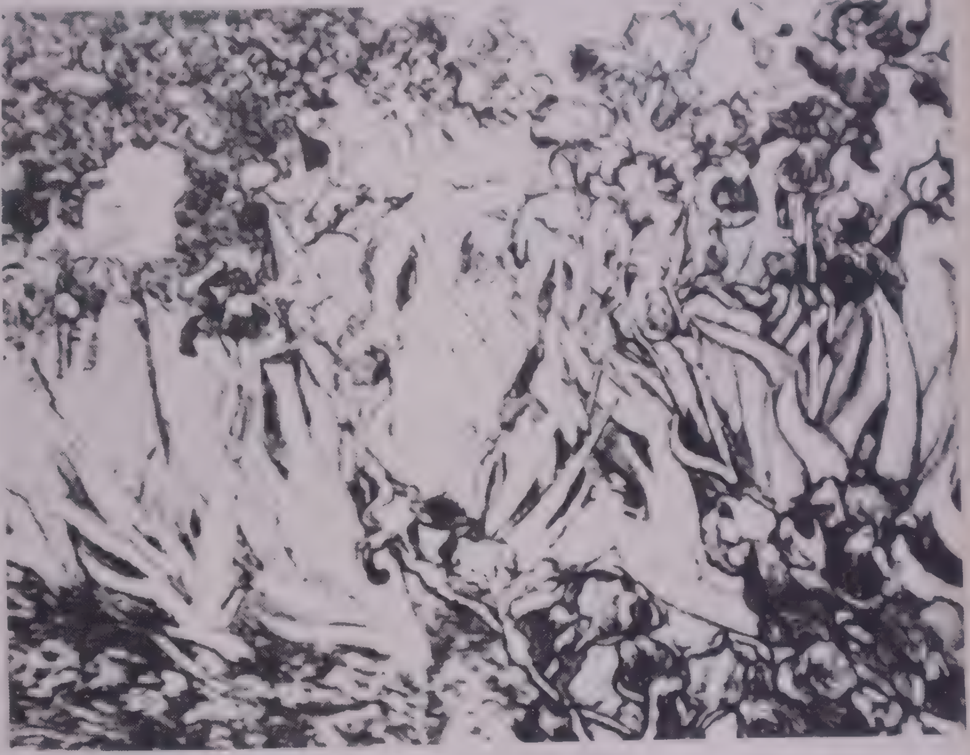
Tokushichi Hasegawa, co-manager with his wife of Nichido, the largest Ginza gallery, says his biggest source of business is the private museums being opened by big Japanese companies. The companies buy fine art, partly as an investment and partly for prestige. In a typical case, a company may set out to buy between five and 10 first-class paintings by major French painters, costing from ¥1-2 billion or more apiece and some 20 or 30 second-ranking paintings for a total of ¥50-60 billion.

'Japanese collectors tend to shun the publicity associated with auctions. Apart from the fact that many art collectors want to avoid attracting the attention of the National Tax Agency, selling the family art treasures is traditionally associated with business failure'

Big companies want to educate top management in western art, besides posing as art patrons, Hasegawa suggests. They choose French Impressionists because prices are firmly established, in contrast with, say, modern American art, and because there is "something Japanese" about modern French painting which is lacking in most other western art.

Hasegawa claims European Old Masters have no future in Tokyo because the emphasis on Christian themes is too strong. But the real reason for Japan's exclusive concentration on Impressionists may be that it has few if any experts on any other school of art. Japanese art dealers have shown a tendency to target individual European painters (much as the ministry of international trade and industry targets industries), building up a local demand in, for example, the paintings of Utrillo. This sometimes results in Japan setting the global price levels.

Japanese buyers now account for 30%-40% of the successful buyers at big western auctions of Impressionist art. Even if Japanese bidders are runners-up, this, helps to raise prices for actual purchasers, according to Sachiko Hibiya, Tokyo representative of Christie's. But the Japanese art trade works in ways that makes it difficult for the big western auction houses to operate easily in Japan. For instance, Hasegawa says he dislikes buying western paintings at auctions because auction houses try to force up prices, obliging him to hold pictures longer before reselling. He prefers to buy from private collectors.



Van Gogh's Irises: sold to the Japanese for $53.9 million

Auctions unnecessary. Sotheby's Shiomi adds that trade relations between major Japanese dealers are so close that indigenous auctions to handle art works originating in Japan are not really necessary. The 430 Japanese dealers, who belong to Tokyo Bijitsu Club, the country's largest trade association of fine-art dealers, guarantee each other financially and form a large enough group for each house to be able to turn over its inventory without going outside the association. In any case, says Shiomi, Japanese collectors tend to shun the publicity associated with auctions. Apart from the fact that many art collectors want to avoid attracting the attention of the National Tax Agency, selling the family art treasures is traditionally associated in Japan with business failure.

The tightly knit structure of Japan's art trade means that outsiders such as Christie's and Sotheby's cannot find art works to sell in Japan itself. The only auctions the foreigners can stage are of imported works, Shiomi complains. Staging a Tokyo auction of first-class Impressionists might flatter Japanese buyers, but European and US bidders stay away. In practice, therefore, both Christie's and Sotheby's appear to have decided for the foreseeable future not to hold auctions in Japan. What both companies do instead is to exhibit pictures in Tokyo before putting them up for auction in London or New York.

Shiomi says many western collectors insist on having their pictures shown in Tokyo as a condition for putting them into one of the company's auctions.

Japan's growing importance has led Sotheby's to more than double the size of its full-time staff in Tokyo in the past year. But there is still a long way to go before Japan will be part of the mainstream of world art markets, most foreign dealers believe. When that time comes, it is an open question whether western auction houses, or the close-knit community of Japanese art dealers, will be calling the shots.

Charles Smith
(By special arrangement with the Far Eastern Economic Review, Hong Kong)

Wellcome

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Speech of the Chairman, Mr. Keith Gay, delivered at the 39th Annual General Meeting of the Company held on Wednesday, 24th February, 1988.

Mr. Keith Gay, Chairman

Ladies and Gentlemen,

It does me great honour to address the 39th Annual General Meeting. On behalf of the Board, may I extend a warm welcome to all of you.

NATIONAL SCENE

The year 1987 has not been an easy one for the Indian economy. The country experienced its worst ever drought, and the effects of it will continue to be felt for some time. The real growth in the economy dropped from 5.1% in 1985-86 to 4.7% over 1986-87. This is still above the 3.5% growth rate over the Sixth Five Year Plan period. And though Industry did show a 0.5% drop in growth over the previous year, the 7.5% growth rate is significantly higher than the 5.5% rate over the Sixth Five Year Plan period. But despite the overall resilience of the economy, the agricultural sector's poor performance is a source of concern.

The capital market is another problematic area that I am sure is of concern to all of us. Last year saw share prices plunge sharply and, despite some measures taken by the financial institutions to restore confidence in the market, the overall sentiment is still bearish. Various industry associations have recommended policy changes to the Government that would contribute to reversing the current slump, and we hope that these recommendations will be acted upon.

Though the economy has grown despite these setbacks, it is not something we can be complacent about. The budgetary deficit and the balance of payments deficit are at their highest level. The rupee is steadily declining in value both internationally and internally. The cost of production and the cost of living are going up sharply and double-digit inflation seems imminent. Our new policy of economic liberalisation introduced three years ago, has not resulted in deregulation which is really the core of liberalisation. Administrative regulation has in many a case increased, putting a brake on Industry's ability to perform.

What I want to underscore here is that our Industry needs to grow and it needs to grow fast if we are to deliver the inputs for the goal of "health for all" by the turn of the century. It cannot do that unless the brakes on its growth are removed. We have to double our output of bulk drugs, and increase our output of formulations by 70% to reach the Seventh Plan's production target of Rs. 4000 crores. Our immediate concern is to accelerate production and we need a supportive environment to achieve our goal.

Nowhere is this more evident than in the case of the Drug Industry. A plethora of controls on prices, production and profitability have stunted the growth of the Industry. Profitability which was around 15% a decade ago has now been squeezed to less than 4%. The Industry was unable to meet the Sixth Plan's revised production target of Rs. 1,950 crores by the wide margin of over Rs. 120 crores. And the Industry production today is around half the Seventh Plan's demand projection of Rs. 4,000 crores by 1989-90

THE NEW DRUG POLICY AND DPCO

The long awaited DPCO was introduced on 26th August 1987, after almost 9 months'delay. It was expected to redress the industry's problems

At first sight it was evident that there had been positive steps taken to reduce the span of control on the Industry and to improve margins. The number of drugs subject to price control fell from 370 to 166; the number of controlled categories was reduced from three to two; and allowable margins were increased for both bulk drugs and formulations. However, closer scrutiny revealed several anomalies which are a source of concern to the Industry and to your Company.

To start with, each time a price revision is proposed for a decontrolled drug, the manufacturer is required to submit the same kind of detailed data as that required for a controlled drug. The administrative costs of doing this are extremely high and it is patently inconsistent with a policy of progressive decontrol. It also seems to ignore the basic thinking behind decontrol, that is, that these drugs were decontrolled because it was felt that a competitive market existed for these products that precluded the possibility of consumers being overcharged. One does not dispute the need to monitor prices but this could be better achieved by selective scrutiny rather than by indiscriminate data collection.

A major lacuna in the order is the absence of any time frame for the Government to decide on price revision applications and review petitions. So far, inordinate delays have been the rule rather than the exception. Manufacturers have been locked into a situation where end prices are controlled while input prices escalate. When I say input prices I mean the entire gamut of inputs that feed into the costs of production – raw material costs, packaging costs, labour costs etc. Unless applications for price revisions are reviewed within a definite time frame, our Industry will continue to live with uncertain financial health.

On the other hand, the time given to a company to file a review petition has been restricted to 15 days. This is totally inadequate when the official gazette that notifies price revisions is released only after a 10 to 15 day gap. What is even more disturbing is that the appellate tribunal and the body deciding on price revision are one and the same. This seems to be contrary to our democratic system in which checks and balances are enshrined.

The other aberrations in the new DPCO are that the Government is not required to furnish information on how it arrived at a price revision different from what was asked for and manufacturers have to implement the Government's price order even if a revision petition is pending

One of the anomalies of the old DPCO that has carried on in the new Order is the mode of computation of prices of bulk drugs. A major factor deciding bulk drug pricing is capital employed for production. But in computing capital employed, the actual levels of working capital have been substituted by certain arbitrary norms which are not relevant to the Pharmaceutical Industry. A number of items of costs that are legitimately charged in the books of accounts also continue to be excluded. This whole procedure needs to be reassessed.

In addition, the overall ceiling on pre-tax return on sales needs serious reconsideration. Apart from the accounting complexities of overcoming differing circumstances in different companies to achieve some comparable basis, the underlying hypothesis of "excess" profit needs to be removed. The internal generation of adequate unds to finance growth which is a part of our national aspiration, is ill-served by measures that remove all incentives for cost control.

The revised mark-ups which should otherwise be a source of funds are also inadequate. The conversion and packaging norms on which they are based are over a decade old and scarcely reflect current cost structures. The Government has set up a Committee to look into these norms and we hope that these will be speedily revised.

The mark-ups on imported formulations have not been revised but kept at 50% on landed cost. However, as you know, trade margins have been increased. Considering that we import only life saving drugs which cannot be economically manufactured here, this kind of situation only leads to impractical pricing which will restrict imports and eventually victimise the consumer.

The higher trade margins fixed under the 1987 DPCO have been a contentious issue that has stalled its implementation. When the initial increase in minimal payable margin was first announced, the Industry felt it was totally uneconomical. These have been revised through negotiations between the Industry and the Trade, but the Government has yet to notify the new agreed norms.

There are a number of other issues that are also yet to be clarified by the Government. These include simplified forms for submission of cost data of de-controlled bulk drugs and formulations; recovery of 'local taxes' including turnover tax and so on. We hope that the Government will expedite its decisions in all these areas.

What I want to underscore here is that our Industry needs to grow and it needs to grow fast if we are to deliver the inputs for the goal. of "health for all" by the turn of the century. It cannot do that unless the brakes on its growth are removed. We have to double our output of bulk drugs, and increase our output of formulations by 70% to reach the Seventh Plan's production target of Rs. 4000 crores. Our immediate concern is to accelerate production and we need a supportive environment to achieve our goal.

The Government's intent to phase out loan-licensing in this context is not helpful. While there may have been a number of manufacturers who have exploited loan-licensing to dump sub-standard products on the market, larger manufacturers have been extremely conscientious about maintaining higher standards of quality. We have in fact been able to share our technology and expertise with small scale manufacturers to help upgrade their production. Loan licensing has also helped to lower marketing costs which would otherwise inhibit entrepreneurs from entering the market. The Government should, therefore, reconsider its intent and develop strategies to monitor the production of small scale manufacturers.

On a wider perspective, we must not lose sight of the fact that the cost of medical treatment is not restricted to the cost of drugs alone. Physician's and surgeon's fees, nursing facilities, pathological tests and hospital or nursing home services make up the major part of any medical bill. Even a cursory examination will reveal that drug prices have contributed the least to the escalation in the cost of medical care.

FINANCIAL PERFORMANCE & HIGHLIGHTS

For the year under review, the Company achieved a pretax profit of Rs. 131 lakhs vis-a-vis a loss of Rs. 59 lakhs in the previous year. Sales of medical products net of excise duty reached Rs. 49.29 crores – an increase of 15.5% over the previous year. What is immensely satisfying is that the increase in sales is almost entirely due to higher volume reflecting continued growth trends and also the confidence that the Company's products enjoy in the market. Production of formulations and bulk drugs increased by 9.7% and 7.6% respectively. Exports have also done well. They went up to Rs. 114 lakhs from Rs. 0.27 lakh in 1985-86. This, incidentally, sets a new record for exports.

On the other hand, our consumer products division fared badly. Average monthly sales decreased by about 77% despite planned promotional support. The management after closely examining the operation decided that its current lack of margins and the lack of future growth opportunities did not warrant continuation of the activity. Consequently, and with regret, it was decided to close down the division with effect from 1st September 1987.

All told, the Company's performance for the year under review has been commendable. The rationalisation and cost cutting measures adopted early in the year made a significant impact on the operating results. They brought the company out of the woods and in a sense have made it fighting fit, and ready to take on new challenges.

QUALITY: A GUIDING VALUE

At Burroughs Wellcome quality has always occupied a special place. Quality consciousness is a value we uphold in every facet of our production and this has transmitted itself to the medical profession and our consumers. Wellcome products enjoy the highest confidence in the marketplace the world over. The pursuit of quality is a continuous and on-going exercise and the corporate credo is "to better the best". Upgrading specifications, reformulations of products, improving processes, rationalisation of batch sizes, are some of the measures taken to improve quality and control costs.

FUTURE OUTLOOK

In the immediate future the Company's progress will be based on its traditional business. We will soon launch two products, ZOVIRAX (Acyclovir) for the treatment of herpes virus infections and TRACRIUM (Atracurium), a revolutionary surgical muscle relaxant. Both these products are landmark discoveries of the Wellcome group and are likely to have wide market acceptance. A programme has also been initiated to identify and assess potential new drugs, some of which may be of third party origin, for future commercial exploitation.

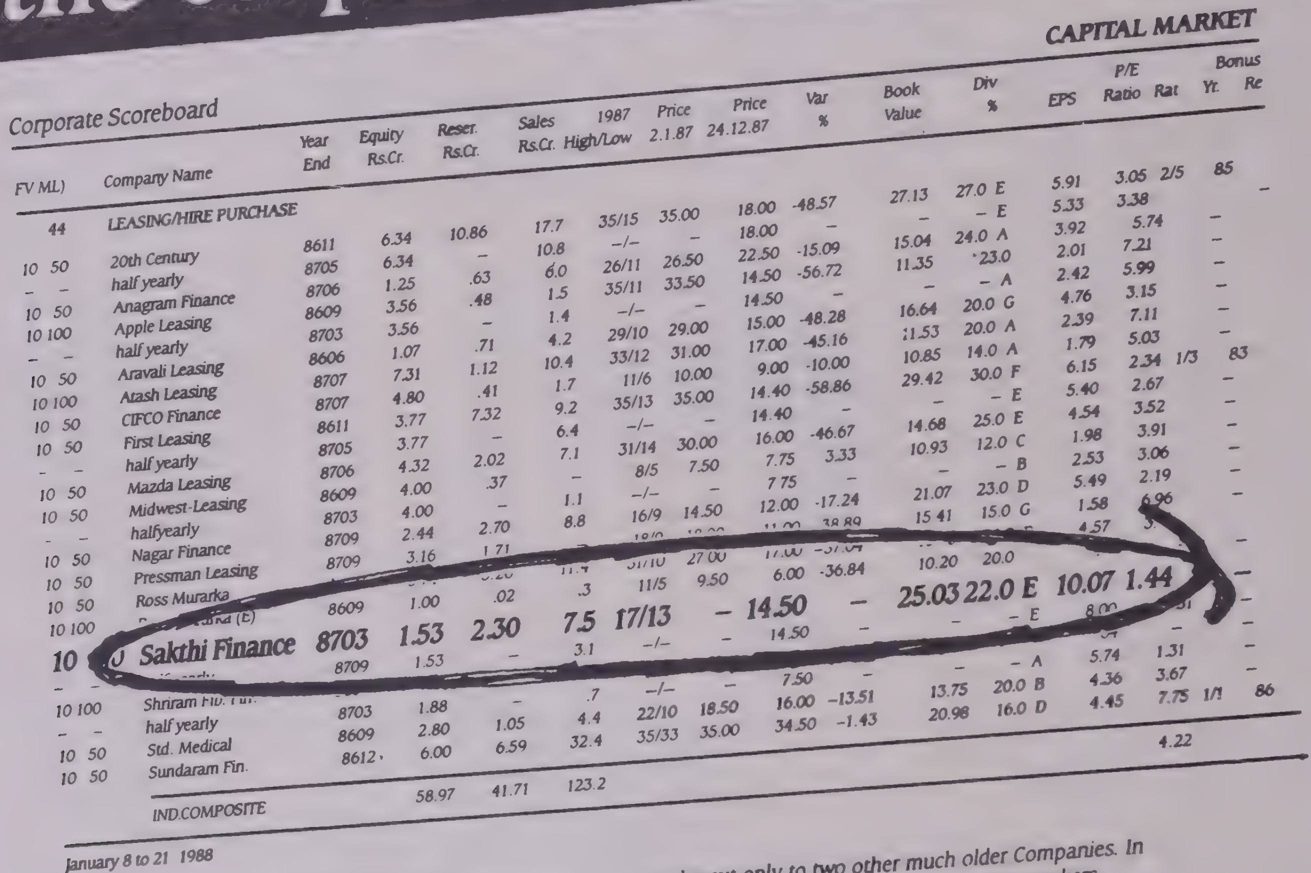
You will be happy to know that our performance over the 5 month period ending 31st January 1988 has been very encouraging. Sales are substantially higher when compared with the previous corresponding period. This is an auspicious beginning of what promises to be a successful year for the Company.

N.B.: *This does not purport to be a report of the proceedings of the Annual General Meeting.*

Numaish/BW/51/88

Criteria : Earning Per Share (EPS)

Financial analysts place Sakthi Finance on top of the corporate scoreboard...



CAPITAL MARKET

Corporate Scoreboard

FV ML)	Company Name	Year End	Equity Rs.Cr.	Reser. Rs.Cr.	Sales Rs.Cr.	1987 High/Low	Price 2.1.87	Price 24.12.87	Var %	Book Value	Div %	EPS	P/E Ratio	Rat	Bonus Yr.	Re
44	LEASING/HIRE PURCHASE															
10 50	20th Century	8611	6.34	10.86	17.7	35/15	35.00	18.00	-48.57	27.13	27.0 E	5.91	3.05	2/5	85	
– –	half yearly	8705	6.34	–	10.8	–/–	–	18.00	–	–	– E	5.33	3.38			–
10 50	Anagram Finance	8706	1.25	.63	6.0	26/11	26.50	22.50	-15.09	15.04	24.0 A	3.92	5.74		–	
10 100	Apple Leasing	8609	3.56	.48	1.5	35/11	33.50	14.50	-56.72	11.35	·23.0	2.01	7.21		–	
– –	half yearly	8703	3.56	–	1.4	–/–	–	14.50	–	–	– A	2.42	5.99		–	
10 50	Aravali Leasing	8606	1.07	.71	4.2	29/10	29.00	15.00	-48.28	16.64	20.0 G	4.76	3.15		–	
10 100	Atash Leasing	8707	7.31	1.12	10.4	33/12	31.00	17.00	-45.16	11.53	20.0 A	2.39	7.11		–	
10 50	CIFCO Finance	8707	4.80	.41	1.7	11/6	10.00	9.00	-10.00	10.85	14.0 A	1.79	5.03		–	
10 50	First Leasing	8611	3.77	7.32	9.2	35/13	35.00	14.40	-58.86	29.42	30.0 F	6.15	2.34	1/3	83	
– –	half yearly	8705	3.77	–	6.4	–/–	–	14.40	–	–	– E	5.40	2.67		–	
10 50	Mazda Leasing	8706	4.32	2.02	7.1	31/14	30.00	16.00	-46.67	14.68	25.0 E	4.54	3.52		–	
10 50	Midwest-Leasing	8609	4.00	.37	–	8/5	7.50	7.75	3.33	10.93	12.0 C	1.98	3.91		–	
– –	halfyearly	8703	4.00	–	1.1	–/–	–	7 75	–	–	– B	2.53	3.06		–	
10 50	Nagar Finance	8709	2.44	2.70	8.8	16/9	14.50	12.00	-17.24	21.07	23.0 D	5.49	2.19		–	
10 50	Pressman Leasing	8709	3.16	1.71	[illegible]	[illegible]	[illegible]	11.00	38.89	15.41	15.0 G	1.58	6.96		–	
10 50	Ross Murarka	[illegible]	[illegible]	[illegible]	11.4	31/10	27.00	17.00	-37.04	[illegible]	[illegible]	4.57	[illegible]			
10 100	[illegible] (E)	8609	1.00	.02	.3	11/5	9.50	6.00	-36.84	10.20	20.0	[illegible]	[illegible]		–	
10 [illegible]	**Sakthi Finance**	**8703**	**1.53**	**2.30**	**7.5**	**17/13**	**–**	**14.50**	**–**	**25.03**	**22.0 E**	**10.07**	**1.44**		–	
– –	half yearly	8709	1.53	–	3.1	–/–	–	14.50	–	–	– E	8.00	[illegible]		–	
10 100	Shriram Fin. Fin.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–		–	
– –	half yearly	8703	1.88	–	.7	–/–	–	7.50	–	–	– A	5.74	1.31		–	
10 50	Std. Medical	8609	2.80	1.05	4.4	22/10	18.50	16.00	–13.51	13.75	20.0 B	4.36	3.67		–	
10 50	Sundaram Fin.	8612	6.00	6.59	32.4	35/33	35.00	34.50	–1.43	20.98	16.0 D	4.45	7.75	1/1		86
	IND.COMPOSITE		58.97	41.71	123.2								4.22			

January 8 to 21 1988

Reproduced above is an extract from pages 37/38 of the issue dated 8-21st January '88 of "Capital Market", a Scientific Investment Magazine, published from Bombay. It could be seen therefrom that in the matter of "Earning Per Share", our (less than three year old) Company majestically stands out (Rs. 10.07 per share of the face value of Rs. 10/-) among the 17 Companies analysed therein. In regard to the "Book Value" too, we rank next only to two other much older Companies. In certain other parameters also, we are top-rankers ---all of which justify fully the comments of yet another Bombay Weekly (Divan's Share Market News Letter dated 18th January 1988), wherein it has stated as under : "---- **We Consider it** (Sakthi Finance Ltd) **as the most efficient and prompt Company in the Corporate World**----"

SAKTHI FINANCE LIMITED

SAKTHI FINANCE LTD

Executive Chairman : S.N. Pai, Regd.Off : COIMBATORE - 641 018.

A Company which has attained national status — with over 6,500 Shareholders, 65,000 Deposit-holders and 25,000 Borrowers, with 32 branches, 10 of them with a chain of Sakthi Safe Vaults spread over 6 States of India — all within a period of three years

Feb 88

UTPC:SF:40:88

KEC INTERNATIONAL

Planned diversification

The sales turnover of KEC International Ltd. (formerly known as Kamani Engineering Corporation), now an R.P. Goenka group company, specialising in the manufacture of transmission towers, hopes to reach the milestone of Rs. 100 crores during the current year ending 30th September 1988.

The company expects to secure total orders for at least 45,000 tonnes of transmission line tower materials during the current year as compared to around 42,000 tonnes received in the previous year. This division itself is expected to fetch a turnover of over Rs. 80 crores.

As far as the mini steel plant located at Bhavnagar is concerned, the company is in the second phase of modernisation towards producing larger quantities of special quality steels and also to minimise the conversion costs.

The company is now diversifying its activities by entering the field of special cement. It has joined hands with Nihon Cement Co. of Japan to float a new company styled as Indo-Nippon Special Cements Ltd., to set up a plant at Marwar Mundwa in Nagaur district of Rajasthan to manufacture five lakh tonnes of oilwell, sulphate resistant and portland cements. KEC will invest Rs. 3 crores in the equity capital of this new company.

KALYANI STEELS

Bonus issue in the offing

There are good tidings for the shareholders of Kalyani Steels Ltd., the most profitable mini steel plant in the country. The Pune-based company which had recorded a 68% spurt in its gross earnings last year (1986-87) is doing equally well in the current year ending 31st August 1988 and its directors are likely to consider an issue of bonus shares at the time of finalisation of the accounts for the current year, i.e. 1987-88.

The company's reserves are likely to cross the Rs. 10 crore mark by the end of August 1988 as against its equity capital of Rs. 1.12 crores. Even the free reserves are expected to be over seven times its equity capital. The profitability of the company is quite good. In these circumstances, the board will have no difficulty in recommending an issue of bonus shares. Incidentally, this will be the company's second bonus issue — the first in the ratio of 1:2 made in 1984 was also the first issue after the company went public in 1983.

Both the divisions of the company, viz. steel and chemicals, are doing quite well. The production of steel ingots is well ahead of its licensed and installed capacity of 36,000 tpa and the chemicals unit is increasing its exports.

The company is currently diversifying its activities by setting up a plant to manufacture ferrous and non-ferrous castings. This augurs well for the future growth of the company

GRINDWELL NORTON

Power shortage victims

Grindwell Norton Ltd., a leading manufacturer of industrial abrasives, which had registered a 773% jump in its gross profits during the last year — 1986-87, offers a lacklustre outlook in the current year ending 30th June 1988.

The company is facing tough competition from the only other manufacturer of industrial abrasives in the organised sector, viz. Carborundum Universal. While Carborundum's silicon carbide project located in Kerala is doing quite well, Grindwell's two silicon carbide plants located in Karnataka and Andhra Pradesh have been the worst victims of an acute power shortage. This has not only raised the cost of production but has also hit the sales turnover and brought down the level of profitability considerably.

Realising that it is no longer desirable to remain only an industrial abrasives manufacturer, the company has now diversified into centralised lubricating systems in collaboration with Lincoln GmbH of West Germany. This may help the company in future to make up for the loss of business in silicon carbide to some extent.

Companies this fortnight

(Rs. crores)

	KEC International			Kalyani Steels			Grindwell Norton		
	(year ending September)			(year ending August)			(year ending June)		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
Sales	83.79	71.98	80.41	26.69	32.20	42.29	28.38	28.32	36.50
Gross profit	4.75	3.16	4.03	2.67	3.90	6.56	0.40	0.30	2.62
Paid-up capital	5.12	5.08	5.08	1.12	1.12	1.12	4.63	4.63	4.63
Reserves	25.39	31.56	32.19	3.36	6.27	8.76	8.09	7.16	7.47
Gross fixed assets	19.26	26.54	26.53	9.42	13.76	15.71	21.44	21.37	22.10
Dividend (%)	12.50	10.00	14.00	25.00	25.00	50.00	Nil	Nil	10.00
Earnings per share (Rs.)	3.00	1.40	2.50	6.09	13.07	31.07	— 0.50	— 2.62	2.72
Paid-up value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on 17th March 1988 (Rs.)			20.50			290.00			17.50

BusinessWorld
March 28—April 10, 1988

MASTERSHARES

Door opens for NRIs

Non-resident Indians (NRIS) have been permitted to acquire the Mastershares floated by the Unit Trust of India (UTI), subject to certain conditions.

The Reserve Bank has specified that individuals and companies owned by NRIS, which have permission to trade on Indian stock exchanges, will be allowed to buy Mastershares under the portfolio scheme. Further, there will be no ceiling limit on the number of Mastershares that NRIS or NRI companies can acquire.

UTI's chairman, M.J. Pherwani, recently announced that Mastershares could be bought on either a repatriation or a non-repatriation basis. If they are paid for out of funds remitted from abroad, the dividends paid on the Mastershares will be completely tax-free.

Pherwani also said that the net asset value of the Mastershare as on 10th March was Rs. 12.33.

POLYOLEFINS

Bonus cheers

Polyolefins Industries Ltd. (PIL), which put up an excellent performance for the year ended 31st December 1987, has cheered its shareholders with a bonus issue of one share for every two equity shares held. This is in addition to a hike in the equity dividend from 23% to 28% (including a silver jubilee dividend of 5%).

PIL's sales jumped to Rs. 150 crores (*cf.* Rs. 138 crores in the previous year) with gross profits soaring to Rs. 22 crores (*cf.* Rs. 15.72 crores). Depreciation and taxation claimed Rs. 4.89 crores and Rs. 6.85 crores respectively, leaving the company with a net profit of Rs. 10.26 crores (*cf.* Rs. 7.07 crores in 1986).

The company's plant for the manufacture of pre-vulcanising inhibitors (PVI) was commissioned during the last quarter of 1987, while its plant to manufacture ethylene vinyl acetate copolymer (EVA) is likely to go on stream by early 1989.

AVERY INDIA

Joint venture

A principal manufacturer of weighing machines in the country, Avery India has collaborated in a joint venture with Carl Schenck AG of West Germany, to manufacture dynamic balancing machines and vibration monitoring equipment. This is part of Avery's expansion programme which includes the production of computer-controlled gravimetric and volumetric liquid filing machines, intelligent smart cards automatic check weighers and vibratory weighers.

The company is also considering the manufacture of technologically advanced products such as automatic test equipment for testing printed circuit boards.

NIPPON DENRO ISPAT

All-round improvement

The fast-expanding and diversifying Calcutta-based Nippon Denro Ispat Ltd. has reported excellent results for its year ended 31st October 1987. The company's sales turnover has increased by 83% over the previous year to Rs. 87.41 crores, and the gross profit by 44% to Rs. 9.58 crores despite a severe rise in the prices of its main inputs. As a result of this all-round improvement, the directors have recommended a final dividend of 11% (an interim 11% has already been paid), bringing the total dividend up to 22% against 20% in the previous year.

Recently, the company has got its capacity for continuous galvanising re-endorsed to 56,500 tonnes per annum (TPA) from the existing 35,000 TPA. The Rs. 80-crore cold rolling mill complex to manufacture 1,25,000 TPA of cold rolled steel sheets is nearing completion at Kamleshwar, in Nagpur (Maharashtra). This complex is being set up in collaboration with Hitachi and Nippon Denro of Japan.

Over and above this, the company has obtained a letter of intent to set up a plant to manufacture 50,000 TPA of PVC-coated steel sheets.

SKF BEARINGS

Higher dividend

SKF Bearings India Ltd. has announced impressive results for the year ended 31st December, 1987. Sales turnover has increased to Rs. 83.86 crores (*cf.* Rs. 66.07 crores in the previous year) while gross profits have risen to Rs. 26.58 crores (Rs. 20.75 crores).

After providing Rs. 4.54 crores and Rs. 2.80 crores for depreciation and interest respectively, profits before tax were higher at Rs. 19.24 crores (*cf.* Rs. 13.18 crores) and profits after tax at Rs. 10.84 crores (*cf.* Rs. 9.23 crores). The directors of the company have recommended higher dividend of 22% (*cf.*20% declared last year).

PRAKASH PIPES

Healthy profits

At Prakash Pipes & Industries Ltd. the cash registers are ringing out aloud. Not only has the company shown a great deal of improvement in sales and gross profit but it has also promoted two new ventures recently.

Sales during the year ended 31st December 1987 jumped a healthy 100% to Rs. 32 crores while the company recorded a gross profit of Rs. 3 crores, a 135% increase over the last year's figures. This rigid PVC pipes manufacturer, to further enlarge its base, diversified into the manufacture of television picture tubes in 1986 and is currently the second largest producer. Besides, over the last three months the company has set up video tape and cassettes and PVC pipe manufacturing facilities in Nainital at a capital outlay of more than Rs. 10 crores.

The company's management now proposes to issue 7.62 lakh equity shares of Rs. 10 each at a premium of Rs. 10 per share to its shareholders on a rights basis some time in April, in the ratio of 2:5.

KINETIC ENGG.

Increased turnover

Kinetic Engg. Ltd., Pune, has reported an increased sales turnover in its half year ended 31st December 1987. But while sales turnover has increased only marginally to Rs.48.42 crores from the Rs.47.53 crores totted up in the corresponding period of the previous year, the net profit has risen more sizeably — from Rs.2.06 crores to Rs.2.27 crores.

MATHER & PLATT

Improved results

Mather & Platt (India) Ltd. has announced improved financial results for the six months ended 31st December 1987. While sales turnover has risen from Rs.13.92 crores in the corresponding period last year to Rs.21.39 crores, net profit has gone up from Rs.1.30 crores to Rs.1.54 crores over the same period.

Two proposals of the company are also pending the approval of the controller of capital issues — a bonus issue in the ratio of 3:5, and a partly convertible debenture issue of 10.24 lakh debentures of Rs. 375 each, aggregating Rs. 38.40 crores. This convertible debenture issue is expected to dilute the foreign shareholding in the company to 40% thereby removing it from the purview of FERA.

NEXT FORTNIGHT

April 2
Relationship strategies
Venue: Connemara Hotel, Madras
Organisers: Madras Management Association (Tel: 475800)

April 4
Critical areas of depot management
Venue: CIRT, Pune-26
Organisers: Central Institute of Road Transport, Pune (Tel: 83477)

April 4 & 5
Materials management — a profit-centre approach
Venue: West End Hotel, Bangalore
Organisers: Cisma Consultants, Madras (Tel: 446964)

April 6-8
Materialistic style of management: an Indian perspective
Venue: Carlton Hotel, Kodaikanal
Organisers: Department of Management Studies, Kamaraj University, Madurai (Tel: 33171)

April 8-10
Stores management
Venue: Hotel Ambassador, Madras
Organisers: Institute of Public Relations and Management, Madras (Tel: 479217)

April 10 & 11
'Just-in-time' — the revolutionary Japanese management system
Venue: Hotel Cama, Ahmedabad
Organisers: Vaubt Consultants, Bombay (Tel: 8116058)

April 11-21
Effective educational management
Venue: XLRI, Jamshedpur
Organisers: XLRI, Jamshedpur (Tel: 25231)

PEOPLE & PLACEMENTS

P.C. NAHAR has taken over as executive director, Bajaj Auto Ltd.

BRIGADIER E.S.K. MURTHY has assumed charge as director (marketing), Bharat Earth Movers Ltd., Bangalore.

D. VENKATESWARA RAO has been appointed secretary, Guwahati Stock Exchange Ltd.

R.P. SINGH has taken over as managing director, Bharat Wagon & Engineering Co. Ltd.

DR. S. RAMA IYER has taken over as management director, Davy Powergas India Pvt. Ltd.

V.A. DATAR has been appointed president and chief executive officer (Bombay), Padmatex Engineering Ltd.

SHYAMAL SEN has been elected vice president, the Institute of Company Secretaries of India.

B.K. KAPOOR has taken over as managing director, the State Bank of Patiala.

D.S. RAWAT has been promoted as deputy general manager, the Bank of Rajasthan.

O.P. MALHOTRA has been elected chairman, Indian Chemical Manufacturers Association, Calcutta, for 1987-88.

N.B. JAITLY has been appointed managing director, North Eastern Industrial Consultants Ltd., Imphal.

V.K. MATHUR has been promoted as director (materials), Maruti Udyog Ltd.

K.M. HUSSAIN has assumed charge as general manager (planning & development), the State Bank of Saurashtra.

R.S.S.L.N. BHASKARUDU has been promoted as director (projects & production), Maruti Udyog Ltd

NEW PRODUCTS

- **Emco Hi-Tech Devices Pvt. Ltd.**, Bombay, is venturing into the manufacture of a glucotest meter, with technical assistance from the British company Medistron, which is well-known for its Gluco-Chek sc blood glucose measuring meter. Weighing just 200 gm, the Emco Glucotest Meter is based on the principle of opto reflectance. It uses a microprocessor which is programmed to indicate the level of glucose present in the blood.
- **Larica Ind. Pvt. Ltd.,** a Calcutta-based company which manufactures household appliances, has just launched a water filter. Unlike conventional models which use filtration 'candles' the Larica filter employs the oxidising catalytic filtering media (OXL-CFM) technique. In addition to removing suspended impurities from water this technique destroys organic matter and pathogenic bacteria. Larica claims that the filtered water retains its natural taste. Each filter costs Rs. 430 (taxes extra).

NEW PROJECTS

- A massive Rs. 90 crore project is being promoted by Samtel (India) Ltd. to manufacture colour picture tubes for television sets. Already the largest manufacturer of black and white picture tubes, Samtel is establishing a new company, **Samtel Colour Ltd.,** in collaboration with the Japanese company Mitsubishi. Five lakh picture tubes will be manufactured annually at the new facility which is coming up at Ghaziabad near Delhi and will go on stream by end-March. This is the third such production facility in the country, the other two being JCT Electronics' Rs. 75 crore plant (capacity: 5 lakh units) set up jointly with Hitachi, Japan, and Uptron's Rs. 114 crore project (capacity: 7.5 lakh units) promoted together with Toshiba, Japan.
- For the first time ever, a carbon fibre manufacturing plant is beign set up in India. The **Indian Petrochemicals Corporation Ltd.** (IPCL) is promoting a Rs. 35 crore project together with a British company to manufacture 12 tonnes of carbon fibres annually. Finding wide application in the engineering and aerospace industries, these fibres will be commercially produced by mid-1989 at the new plant at Baroda.

EQUITY BUY-OUTS

- The **United Breweries** group, which represents the Mallya industrial empire, has bought a 20% stake in the Rs. 34.61 lakh equity base of **Reichhold Chemicals India Ltd.** A Madras-based Simpson group company, Reichhold manufactures polyester resins, which are major raw materials for the paint industry. Though the controlling 40% stake is owned by a non-resident Indian, Dr. L.X. Mallavarapu, it is the United Breweries group which will play the major role in turning around the ailing Reichhold, which recorded carried forward losses of nearly Rs. 76.95 lakhs in September 1987.

NEW ISSUES

- The **Indian Petrochemicals Corporation Ltd.** has come out with a second offer of 13% bonds, aimed at generating finance for its capital expenditure programme. Its first Rs. 40 crore bond issue was oversubscribed to the extent of Rs. 96.03 crores. The second series of bonds is being offered (the application list opens on 24th March) under two schemes — the cumulative and the non-cumulative — with a host of tax benefits for all bondholders together with special benefits for trusts.
- **Core Parenterals,** which has set up a sophisticated plant to manufacture a vast range of large volume sterile intravenous solutions, is entering the capital market on 28th March with a public issue of 3,02,500 equity shares of Rs. 10 each at par. The company's project in Gujarat, estimated to cost almost Rs. 3.95 crores, has been fully commissioned and commercial production is underway. The plant, based on state-of-the-art technology with computerised machinery and equipment acquired from internationallly renowned firms such as Rommelag of Switzerland and Getinge of Sweden, has a capacity to produce about six million units of intravenous solutions. At full capacity utilisation it can achieve a turnover of Rs. 12 crores.

NEW SCHEMES

- The **General Insurance Corporation** (GIC) has introduced a scheme aimed at delinking jobs from degrees. From June 1988, central schools in Delhi, Bombay, Calcutta, Madras, Chandigarh and Lucknow will commence a two-year course on general insurance. Students who pass the 10th standard examination with at least 60% marks will be eligible to enrol.

GIC chairman Ashok Goenka has announced that students who pass the course with a minimum of 50% marks will be appointed 'apprentice assistants,' at a monthly stipend of Rs. 1,000. A year later, they will be employed by GIC as 'assistants,' without having to go through the usual all-India competitive examination.

- **Larsen & Toubro Ltd.** has computerised its procedure for issuing receipts for fixed deposits. The company's head office in Bombay has started issuing "instant receipts" to depositors.

Those who hand in their cheques with their application forms have to wait for about 25 minutes for their receipts. Depositors from outside Bombay, or those who deposit their money through brokers, take about two weeks to get receipts. But that is still faster than the four weeks it took earlier, the company claims.

- At a two-day workshop organised in New Delhi by the Indian Institute of Foreign Trade and the ministry of science and technology, the setting up of a **Technology-Transfer Centre** was recommended. Based on the pattern of the India Investment Centre, this new centre will export technology from small and medium scale companies to other developing countries. The services sector, and food processing and agro-based technologies were particularly singled out for export.

The transfer of such technology is expected to help other developing countries to use their resources better. For example, an African country used to regularly dump its surplus production of bananas into the river. Here, India could easily supply the technology to process the surplus into banana wafers and banana powder.

INAUGURATED

- JRD Tata formally inaugurated the **Titan Watches** plant at Hosur on 11th March. Titan is a joint venture of the Tatas and the Tamil Nadu Industrial Development Corporation, set up in collaboration with France Ebauches, a major European producer of quartz movements.

The plant, set up at a cost of Rs. 60 crores, will produce two million watches a year with horological and precision tool-making equipment obtained from Switzerland, Japan, France and Germany. At peak production, the plant will employ around 1,500 people.

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Mark time till the monsoons

RAAMDEO AGRAWAL

Tea company shares are likely to fare better and the companies worth watching are Assam Frontier, Assam Co. and Tata Tea. The fortunes of pesticide companies like Searle, Excel, Sandoz, Hindustan Ciba-Geigy and Cyanamid will depend on the monsoon

The Union budget usually dictates market behaviour for the rest of the year. In 1985, it was the budget which sparked off the boom, and a year later, it was the finance minister's offering which reversed the bull phase. But N.D. Tiwari's effort this year has done nothing dramatic and things have generally been left to the mercy of the weather gods. The performance of the economy in 1988-89 depends almost entirely on a good monsoon. The nation has been badly mauled by the severe drought in 1987. Thus, if the monsoon does not toe the line and food production remains below the 150 million tonne mark, inflationary pressures on the economy will be unbearable. On the other hand, if the monsoon is good, things will stabilise. The investor will find more things to cheer about.

Given this scenario, what should be the investment strategy? The stockmarkets are still in a bearish mood. There are no signals of a major trend reversal. The only consolation is that the Bombay stock exchange (BSE) index is finding good support at around 400. The scope for markets to go down further from this level is limited. The budget was one hurdle which they crossed without much difficulty. They are currently experiencing a relaxation of various trading curbs. Now, the stage is set for the rain god to set the pace. The markets may stage a modest rally in anticipation of a good monsoon, but the final word will come only after July/August.

SIGNIFICANT BENEFICIARIES

As far as the budget proposals go, the significant beneficiaries are synthetic fibre/yarn producers, export-oriented units and pesticides.tea and selected drug companies. Although the hefty excise reductions in PFY and PSF will improve the long-term outlook of the synthetic fibre and yarn industry, short-term benefits are limited. Excess capacity with PSF producers will keep prices of fibre depressed in the near future. PFY is slightly better off and manufacturers will be able to keep part of this benefit as they had increased prices immediately before the budget.

The single biggest beneficiary of the budget is Reliance (roughly Rs.125 crores) along with Orkay and Century Enka. Investing in Reliance at current prices is not advisable as the company's PSF operations are uneconomical and the PTA and LAB plants have yet to go on stream. The massive floating stocks of new shares ('G' series and rights shares) are further dampers. Consequently, even significantly better profits may not bring back the Reliance scrip's glorious P/E multiple of 20. One should think of converting Reliance's shares into Century Enka or at least Orkay. Century Enka, with its flexible product mix, has emerged the biggest 'unintended' beneficiary of the budget.

Exemption of export profits from income tax is a bold and imaginative step. Export-oriented companies should be good investment candidates. Ferro Alloys, Su-Raj Diamonds, Gokak Patel, Century Spinning, Lipton, Brooke Bond, Madura Coats, Ponds and plantation companies are worth watching. This measure may also prompt many high tax bracket companies to go in for exports at marginal cost.

Tea company shares are likely to fare better and the companies worth watching are Assam Frontier, Assam Co. and Tata Tea. The fortunes of pesticide companies like Searle, Excel, Sandoz, Hindustan Ciba-Geigy and Cyanamid will depend on the monsoon.

The fertiliser and passenger car industries have been severely hit by the budget proposals. Although car manufacturers will be able to pass on the duty hike, fertiliser companies are doomed. Even if the monsoon is good and demand picks up, the 7.5% discount has to be given. Disinvestment of fertiliser shares, particularly IEL, may not be out of place.

In the near future, markets are likely to move in a narrow groove until this most important budget 'presumption' — a good monsoon — becomes a reality.

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE. (Rs.)	YEAR ENDED	SALES	EQUITY CAPITAL (Rs.crores)	COMPOUND GROWTH OVER 5 YRS (%)		EPS (Rs.)	P/E 17 MAR	P/B.V 17 MAR	PAYOUT	SHARE PRICE 17 MAR (Rs.)	MK.CAP 17 MAR (Rs. crores)	%CH.CAP Over 4 MAR
						IN EARNINGS	IN DIVIDENDS							
I.	**AUTO ANC & TYRES**													
1	CEAT	10	30/06/87	316.07	9.32	36.21	17.93	13.20	6.16	2.54	0.19	**81.25**	75.73	1.57
2.	CHLORIDE	10	31/08/87	107.50	20.66	13.29	22.23	4.46	15.47	4.46	0.70	**69.00**	142.55	−2.13
3.	MICO	100	31/12/86	157.58	38.05	22.06	7.94	32.54	15.83	2.63	0.31	**515.00**	195.96	−0.96
4	MODI RUBBER	10	30/04/87	358.60	10.38	4.77	5.84	6.06	8.58	0.97	0.41	**52.00**	53.98	6.13
II.	**BASIC CHEMICALS**													
5.	NOCIL	100	31/12/86	282.80	36.00	64.18	17.52	46.39	9.11	1.87	0.39	**422.50**	152.10	−3.43
6.	TATA CHEM	10	31/03/87	193.56	27.19	18.25	20.43	8.31	7.52	1.31	0.30	**62.50**	169.94	−2.34
III.	**BASIC METALS**													
7.	HINDALCO	10	31/12/86	248.26	13.39	0.21	9.97	2.87	42.68	2.87	0.72	**122.50**	164.03	0.00
8.	INDIA FOILS	10	30/06/86	83.60	2.63	28.62	21.29	10.30	5.15	1.70	0.31	**53.00**	13.94	0.00
9.	MUKAND IRON	10	30/06/87	266.30	9.82	13.80	7.04	8.14	9.89	5.23	0.22	**80.50**	79.05	1.89
10.	TISCO	100	31/03/87	1416.39	115.30	9.34	7.59	75.91	8.51	1.54	0.24	**646.25**	745.13	9.77
IV.	**CEMENT**													
11.	ANDHRA CEMENT	10	31/03/87	53.94	9.51	−13.80	38.04	0.73	12.33	0.41	1.38	**9.00**	8.56	−9.99
12.	ACC	100	31/07/87	760.92	39.88	−57.92	−6.50	0.85	169.41	0.39	11.74	**144.00**	57.43	−1.36
V.	**CHEM. INTERMEDIATES**													
13.	BASF	10	31/12/86	48.00	2.84	−0.79	18.17	4.33	24.83	2.01	0.43	**107.50**	30.53	−7.32
14.	COLOUR CHEM	100	31/03/87	66.95	7.94	17.24	3.08	42.44	7.54	1.35	0.42	**320.00**	25.41	−4.47
15.	DEEPAK NITRITE	10	31/10/87	23.60	2.43	10.30	5.05	3.99	7.27	1.09	0.36	**29.00**	7.05	−21.58
VI.	**COMM VEHICLES**													
16.	BAJAJ TEMPO	10	31/09/87	152.91	6.58	−25.31	4.06	2.64	27.27	0.98	0.47	**72.00**	47.38	6.66
17.	MAH & MAH	10	31/10/87	599.28	19.26	1.11	9.40	5.76	9.29	1.15	0.38	**53.50**	103.04	−2.73
18.	TELCO	100	31/03/87	1196.89	53.18	−38.98	−6.45	5.51	71.23	0.98	1.88	**382.50**	208.73	10.56
VII.	**CONS DURABLES**													
19.	ASIAN PAINTS	10	31/12/86	127.22	12.45	39.77	26.33	9.25	15.95	5.04	0.26	**147.50**	183.64	−1.67
20.	PEICO	10	31/12/86	325.25	33.32	−38.12	−15.20	0.14	189.29	1.36	5.60	**26.50**	88.30	−3.63
21.	VIP INDUSTRIES	10	31/07/87	68.40	5.99	−1.39	N.A.	1.43	10.14	0.78	0.84	**14.50**	8.69	−17.08
VIII.	**COTTON TEXTILES**													
22.	CENTURY SPG	100	31/12/86	312.00	26.62	7.30	10.77	59.95	13.09	1.45	0.33	**785.00**	208.97	7.91
23.	MADURA COATS	10	30/06/87	200.36	21.81	7.88	14.48	5.14	13.81	2.79	0.49	**71.00**	154.85	7.57
24.	RAYMONDS	10	31/03/87	225.19	22.48	37.75	22.02	5.89	7.98	1.62	0.21	**47.00**	105.66	0.00
IX.	**DOMES CONS PROD**													
25.	COLGATE	10	31/12/86	163.52	15.72	23.25	11.34	6.49	28.12	9.58	0.40	**182.50**	286.89	−4.95
26.	HINDUSTAN LEVER	10	31/12/86	715.19	93.32	11.97	16.82	4.19	15.99	2.95	0.41	**67.00**	625.24	−1.47
27.	ITC	10	30/06/87	1051.80	33.17	15.26	12.36	5.26	6.75	1.49	0.57	**35.50**	117.75	10.94
28.	McDOWELL	10	30/06/87	145.20	6.40	−2.72	41.58	10.91	7.33	1.30	0.14	**80.00**	51.20	5.96
29.	RECK & COLMAN	10	03/01/87	49.37	4.20	23.64	11.84	9.90	20.96	7.18	0.25	**207.50**	87.15	10.67
X	**ELEC ENGG**													
30.	BEST & CROMP	10	31/12/86	123.56	4.73	−22.28	2.38	1.92	18.23	0.71	0.79	**35.00**	16.56	2.99
31.	FINOLEX CAB	10	30/11/86	38.40	1.80	31.45	26.30	17.44	18.81	6.41	0.14	**328.00**	59.04	3.31
32.	GENELEC	10	30/06/87	74.19	2.16	16.60	12.41	6.76	7.99	1.63	0.37	**54.00**	11.66	−6.94
33.	OTIS	10	30/11/86	32.26	5.04	14.87	16.35	5.63	33.30	7.82	0.40	**187.50**	94.50	0.00
34.	SIEMENS	10	30/09/87	198.40	20.94	−1.55	2.63	2.48	25.81	1.59	0.42	**64.00**	134.02	−4.48
XI	**EQUIP MANUF**													
35.	INGERSOLL	10	31/12/86	65.86	7.89	24.22	14.75	9.71	27.55	9.21	0.26	**267.50**	211.06	−1.83
36.	KIRLOS CUMM	10	30/09/87	146.96	26.40	4.23	23.13	3.81	14.44	2.28	0.53	**55.00**	145.20	−4.35
37.	MATHER & PLATT	10	30/06/87	42.04	6.40	21.14	14.23	6.13	15.91	4.27	0.33	**97.50**	62.40	0.52
XII.	**FERTILISERS**													
38.	GSFC	10	31/12/86	364.30	26.94	16.99	9.89	8.54	12.12	1.58	0.25	**103.50**	278.79	6.70
39.	SPIC	10	31/12/86	421.02	34.42	−28.70	N.A.	1.42	16.90	0.81	1.08	**24.00**	82.61	−17.24
XIII.	**FOOD PRODUCTS**													
40.	BRITANNIA	10	30/11/86	160.70	12.38	28.51	14.87	5.95	14.71	3.81	0.33	**87.50**	108.33	−1.68
41.	BROOKE BOND	10	30/06/87	399.50	24.73	18.02	13.94	6.08	13.65	4.31	0.49	**83.00**	205.26	4.40
42.	HIND COCOA	10	30/06/87	73.42	8.40	26.56	18.22	5.31	15.54	4.45	0.28	**82.50**	69.30	4.76

Buoyant trend

Equities on the stock exchanges presented a bullish trend,following massive support extended by financial institutions, coupled with speculative buying during the fortnight ended 18th March. The lifting of the four-and-a-half month ban on forward trading in shares bolstered market sentiment. Besides, the flow of encouraging corporate news aided the upward trend.

Confirming the buoyant trend in equities, *The Economic Times* index of ordinary shares (1984-85=100) moved up from 233.1 on 7th March to 233.4 on 18th March. However, the *Financial Express* equity index (1979=100) advanced by 2.66% to 306.12 during the same period. Meanwhile, the *BW* stock market index moved up from 106.93 on 4th March to 108.45 on 17th March.

The highlight of the trading during the fortnight under review was the unprecedented rise in the share value of Century Enka, which jumped by Rs. 110 (7.69%) to Rs. 1,540 on sustained buying by leading bull operators on account of a reduction in excise duty on filament yarn. As a result, man-made fibre equities displayed a hardening trend, with the *ET* index for these scrips rising by 6.45% to 117.1. Cotton textile shares also forged ahead on investment support coupled with hectic short covering. And the *ET* index for these scrips spurted by 6.10% to 196.5 during the fortnight.

Basic metals shares were in the limelight on institutional buying and

BUSINESSWORLD STOCKMARKET TABLE

INDUSTRY/COMPANY	FACE VALUE. (Rs.)	YEAR ENDED	SALES	EQUITY CAPITAL	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	COMPOUND GROWTH OVER 5 YRS (%) IN DIVIDENDS	EPS (Rs.)	P/E 17 MAR	P/B.V 17 MAR	PAYOUT	SHARE PRICE 17 MAR (Rs.)	MK.CAP 17 MAR (Rs. crores)	%CH.CAP Over 4 MAR
			(Rs.crores)	(Rs.crores)									
XIV. HEAVY ENGG/PROJ													
43. ELECON ENGG	10	31/12/86	86.20	5.65	14.07	14.87	7.45	6.58	0.90	0.19	**49.00**	27.68	4.26
44. GAMMON	10	30/07/87	112.00	2.16	52.05	5.35	19.53	1.79	0.50	0.13	**35.00**	7.56	−2.83
45. HIND DORR	10	30/11/86	46.67	2.38	32.30	15.72	16.18	9.27	3.49	0.22	**150.00**	35.70	3.45
46. ALFA LAVAL	10	30/11/86	48.90	5.21	9.79	16.31	3.86	13.21	1.44	0.41	**51.00**	26.57	8.49
XV LIGHT ENGG													
47. SKF BEARING	100	31/12/86	67.90	12.35	15.20	7.01	74.74	16.59	4.42	0.27	**1240.00**	153.14	0.00
48. BHARAT FORGE	10	30/09/87	120.10	5.71	33.86	6.63	11.51	10.86	2.20	0.22	**125.00**	71.38	3.31
49. IND OXYGEN	10	30/09/87	131.00	14.60	−9.51	1.03	2.16	13.66	1.39	0.74	**29.50**	43.07	−2.49
50. SANDVIK ASIA	100	31/12/86	38.51	5.78	−3.36	11.94	27.85	24.24	3.58	0.72	**675.00**	39.02	−2.16
XVI. MULTI PRODUCTS													
51. IEL	10	30/09/87	478.41	40.87	−17.55	3.37	1.24	27.42	1.20	1.06	**34.00**	138.96	−10.53
52. LARSEN & TOUBRO	10	30/09/87	573.10	56.37	7.47	15.43	4.90	17.24	2.17	0.41	**84.50**	476.33	6.29
53. RALLIS	10	31/05/87	225.41	5.64	25.69	11.40	10.30	6.19	0.14	0.29	**63.75**	35.96	6.26
54. VOLTAS	100	31/08/87	363.71	12.78	11.18	6.88	53.60	4.52	0.83	0.30	**242.50**	30.99	−4.91
XVII. PASS VEHICLES													
55. BAJAJ AUTO	10	30/06/87	607.74	9.41	70.08	37.08	68.61	6.16	2.05	0.12	**422.50**	397.57	2.42
56. KINETIC ENGG	10	30/06/87	91.25	1.20	15.57	19.22	20.25	9.32	1.41	0.15	**188.75**	22.65	7.86
57. HIND MOTORS	10	31/03/87	373.01	26.41	−19.96	−2.22	1.17	15.38	0.59	0.85	**18.00**	47.54	−2.70
XVIII. PEST & AGROCHEM													
58. BAYER	100	31/12/86	102.93	16.22	17.39	9.32	32.98	9.40	1.97	0.38	**310.00**	50.28	6.89
59. SEARLE	10	31/12/86	41.93	3.48	58.16	26.05	11.09	9.11	2.13	0.18	**101.00**	35.15	−2.87
XIX. PHARMA													
60. GLINDIA	10	30/06/87	200.97	20.00	9.38	7.36	3.70	17.70	2.75	0.49	**65.50**	131.00	0.77
61. HIND CIBA	100	31/12/86	158.00	17.71	1.23	13.82	29.59	11.83	1.34	0.61	**350.00**	61.99	0.00
62. HOECHST	100	31/12/86	160.54	9.58	13.27	9.31	54.70	8.96	1.19	0.37	**490.00**	46.94	−2.00
XX. PLANTATIONS													
63. ASSAM CO	10	30/06/87	44.15	7.00	45.90	55.03	6.46	16.41	3.19	0.62	**106.00**	74.20	−5.78
64. McLEOD RUSSEL	10	30/06/87	43.45	6.25	35.83	39.23	8.06	12.41	2.67	0.56	**100.00**	62.50	−10.11
65. TATA TEA	10	31/12/86	132.86	10.52	23.43	N.A.	8.03	15.07	2.30	0.33	**121.00**	127.29	2.11
XXI. PLASTICS & PAPER													
66. BALLARPUR	10	30/06/87	362.66	13.98	−4.74	0.29	3.37	10.39	0.61	0.70	**35.00**	48.93	1.45
67. BHADRACHALAM	10	30/09/87	48.85	10.57	−4.64	7.84	4.16	6.67	1.16	2.00	**27.75**	29.33	0.00
68. GARWARE POLY	10	30/06/87	76.78	5.81	16.35	21.89	7.57	9.97	2.12	0.29	**75.50**	43.87	−6.20
69. SUPREME IND	100	30/06/87	57.26	1.80	22.32	18.88	101.67	18.69	3.04	0.18	**1900.00**	34.20	2.98
XXII. POWER GENERATION													
70. CAL ELEC SUPP	10	31/03/87	321.09	8.45	15.53	5.76	11.22	1.14	0.15	0.21	**12.80**	10.82	−2.26
71. TATA POWER	100	31/03/87	330.90	20.00	35.06	11.11	148.20	1.29	0.41	0.11	**191.25**	38.25	2.00
XXIII. SERVICE IND													
72. EAST IND HOTELS	10	31/03/87	65.93	17.34	11.41	3.52	5.64	7.45	1.81	0.35	**42.00**	72.83	2.45
73. HDFC	100	31/06/87	76.86	19.79	31.44	16.51	46.74	3.04	0.65	0.20	**142.00**	28.10	0.54
74. 20TH CENT FIN	10	30/10/86	17.70	6.34	53.14	54.38	5.98	3.09	0.68	0.30	**18.50**	11.73	0.00
75. TATA UNISYS	10	31/12/86	19.90	4.38	6.80	23.22	4.89	17.89	5.17	0.58	**87.50**	38.33	−2.77
XXIV. SHIPPING													
76. ESSAR SHIP	10	31/12/86	59.31	24.67	10.13	22.85	3.09	5.83	0.79	0.65	**18.00**	44.41	2.87
77. GR EASTERN	10	30/06/87	102.50	31.94	6.72	19.13	2.12	11.49	1.26	0.98	**24.35**	77.77	4.73
XXV SYNTHETIC TEXTILES													
78. CENTURY ENKA	100	31/12/86	243.40	11.87	11.68	14.15	84.58	18.21	2.53	0.40	**1540.00**	182.80	7.69
79. GRASIM	10	31/03/87	531.00	21.59	2.68	4.51	4.00	22.25	1.56	0.60	**89.00**	192.15	2.30
80. RELIANCE	10	31/12/86	989.90	158.26	−13.44	21.35	0.90	95.56	3.30	0.97	**86.00**	1361.04	1.18
TOTAL			19410.04	1536.13								10035.64	

BUSINESSWORLD INDEX (17th MARCH) = 108.45 4th MAR = 106.93 (BASE 29TH JUNE 1987 = 100)

EPS: EARNINGS PER SHARE P/E: PRICE EARNINGS RATIO P/B.V: MARKET PRICE TO BOOK VALUE %CH.CAP: PERCENTAGE CHANGE IN MARKET CAPITALISATION

hectic bear covering. Consequently, the *ET* index for these scrips advanced by 5.39% to 267.6.

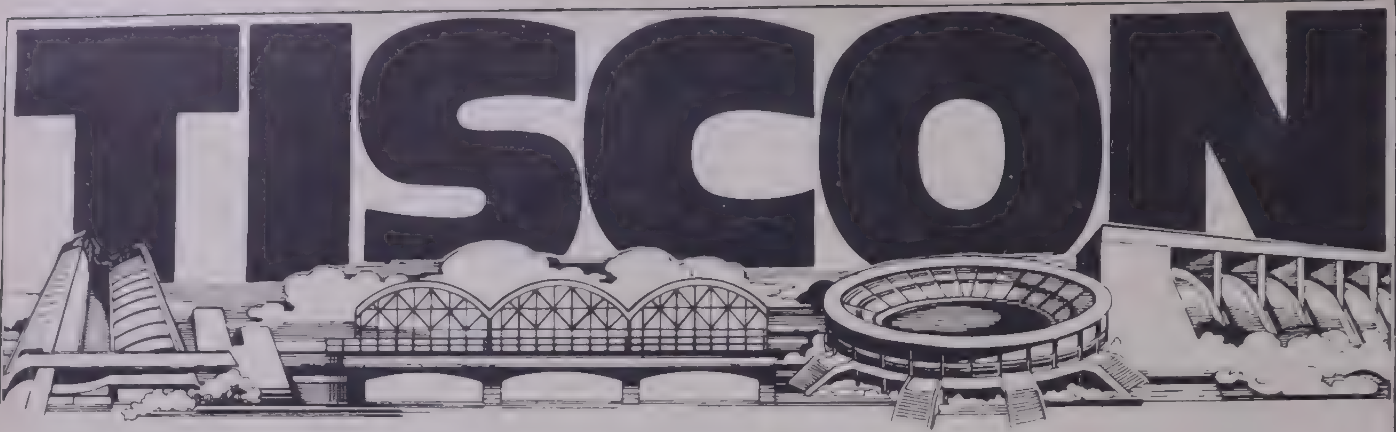
In sharp contrast to the bullish trend, fertilisers and chemicals shares ruled easy following the sharp increase in the price of naphtha, which is used by the fertiliser industry as fuel for steam generation. Subsequently, the *ET* index for these equities moved down from 206.1 to 203.1 during the fortnight ended 18th March.

Cement equities exhibited a distinct bearish trend on nervous bull liquidation and the absence of fresh speculative support. And the *ET* index for these scrips plunged by 10.39% to touch a new low at 68.1. The index stood at 139.7 a year ago.

In the absence of fresh enquiries, engineering goods shares depicted an easy trend, with the *ET* index for these scrips moving down from 280.8 to 275.2.

"Equities on the stock exchanges are not likely to show a marked improvement because the tendency of investors has changed. They prefer to book profits at every rise. Even the flow of encouraging corporate news has failed to cheer individual investors. A hike in steel price or a change in the cement policy could not revive the confidence of small investors. Besides, the new issues which have entered the capital market recently have failed to evoke even a modest support in the market," observes A.J. Diwan, a reputed stockbroker and editor of the *Share Market News Letter*.

S. Dhruv



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Indian commodity prices

Commodity	Variety/Centre	1987 *High*	1987 *Low*	Prices as on *March 3, 1988*	Prices as on *March 17, 1988*
Foodgrains (per quintal)					
Wheat	Desi-Delhi	325.00	262.50	295.00	305.00
Rice	Sela-Hapur	380.00	295.00	337.00	355.00
Gram	Desi-Bombay	530.00	340.00	500.00	500.00
Sugar (per quintal)	C-30, Bombay	677.00	572.00	628.00	630.50
Edible oils (per tonne)					
Groundnut	Wholesale-Bombay	27,664.00	20,228.00	21,587.00	23,400.00
Mustard	K. Ghani-Delhi	457.50	268.00	332.50	332.50
Coconut	Cochin	34,500.00	26,450.00	31,350.00	30,700.00
Steel (per tonne)					
Rounds	6 mm-Bombay	6,200.00	5,450.00	6,500.00	6,700.00
Angles	75×75×6mm	6,200.00	5,900.00	6,100.00	6,000.00
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay	8,100.00	4,985.00	7,350.00	7,400.00
Lead	Bombay	2,110.00	1,490.00	2,225.00	2,225.00
Ferrous scrap (per tonne)					
Heavy melting	No. 1. Bombay	2,850.00	2,000.00	2,900.00	2,950.00
Chemicals per 50 kg)					
Soda Ash	Tata	197.00	180.00	197.00	195.00
Caustic	Flakes	405.00	345.00	410.00	425.00
Cement (per bag of 50 kg)					
Controlled		42.50	42.50	42.50	42.50
Open market		73.00	62.00	63.00	63.00

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on *March 2, 1988*	Prices as on *March 17, 1988*
Gold	London	$/ounce	432.60	447.15
	Zurich	$/ounce	431.10	447.00
	Hong Kong	$/ounce	431.80	446.00
Silver	New York	Cents/ounce	650.00	632.70
Copper (w. bar)	London	£/tonne	1,158.00-1,159.00	1,215.00-1,225.00
Soyabean oil	Chicago	Cents/pound	18.10	18.15
Palm oil	Malaysia	$/tonne	456.00	450.00
Castor oil	Rotterdam	$/tonne	965.00	955.00
Black pepper	Singapore	$/quintal	900.00	910.00
Rubber	Malaysia	$/tonne	280.00-281.00	279.00-280.00

Gold loses glitter

Gold prices fell sharply in the commodity markets during the fortnight ended 18th March.

Bullion. Gold prices, which were buoyant lately, have started declining. They slumped by over Rs. 200 per 10 gm last fortnight. The quotation for the standard metal touched Rs. 3,140 per 10 gm, while the price of 22-carat gold dropped to around Rs. 2,878. Massive inflows of contraband and poor demand are said to be the main causes. The price of silver also fell last week.

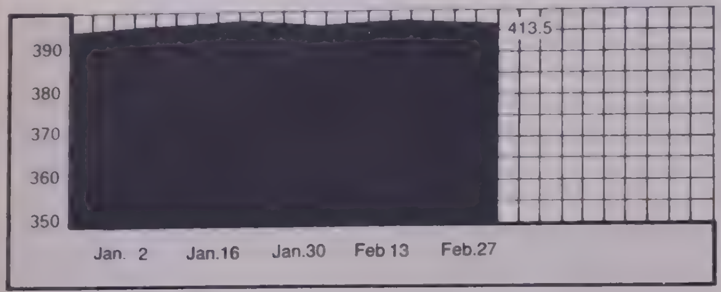
Foodgrains. While wheat and rice ruled steady, pulses, led by *moong*, turned firm. The prices of pulses hardened because of poor imports. *Moong* prices shot up by Rs. 250-300 per quintal with the *desi* variety in demand around Rs. 900 per quintal and imported pulses around Rs. 950 per quintal. The prices of *tur* and *urad* rose by Rs. 30-60 per quintal.

Fibres, yarn. Cotton prices turned quiet on lack of buying support. A change in policy, which permits exporters to import fibre, also influenced market sentiment. The prices of popular varieties declined by Rs. 100-150 per candy. In the yarn market, the prices of polyester filament yarn and nylon filament yarn declined as a result of the budgetary duty cut. The price of viscose rayon yarn, however, turned firm because the spinners formed a cartel and cut down their supplies to the market. The quotation for 120 denier bright yarn moved up by Rs. 6 to Rs. 86 per kg.

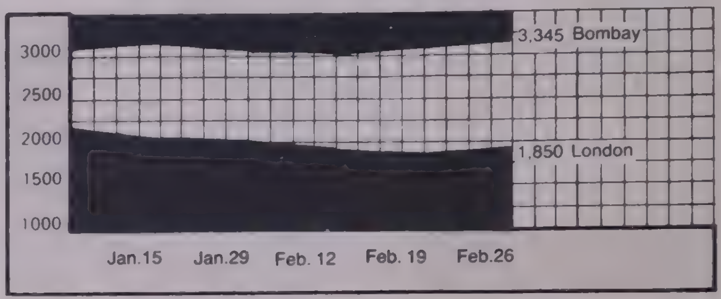
Edible oils. The prices of edible oils were steady on reports of a good *rabi* harvest this year.

Activity in the steel, non-ferrous metals, sugar, cement, dyes and chemicals and *kirana* markets was restricted. The prices of these commodities were quietly steady.

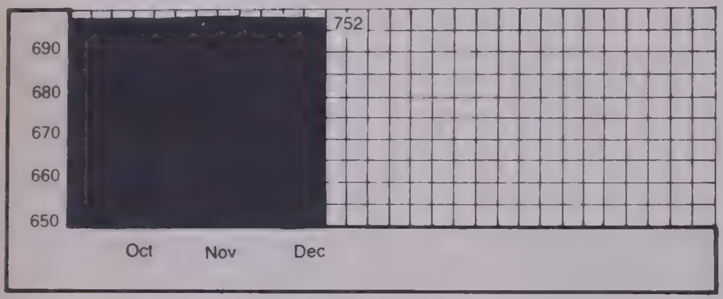
Wholesale Price Index (1970-71=100) 1987



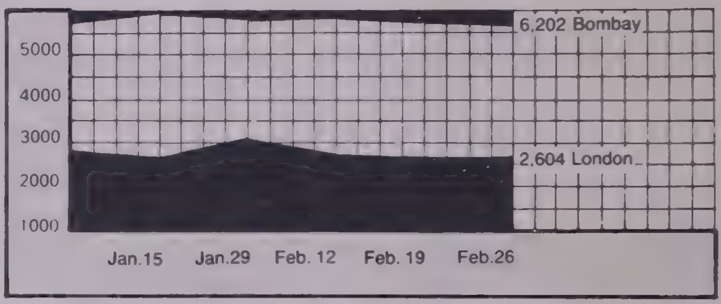
Gold (Rs. per 10 gm)



Consumer Price Index for Industrial Workers (1960-61=100) 1987



Silver (Rs. per kg)



London Interbank Offered Rates (LIBOR) ruling on 11th March 1988

	One month	Three months	Six months	One year
Sterling Pound	8.81	9.00	9.19	9.38
US dollar	6.81	6.88	7.06	7.44
West German Mark	3.44	3.44	3.50	3.63
Japanese Yen	4.50	4.34	4.31	4.34

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1987 Feb. 20	1988 Feb. 19
Bank rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)*	6.50	6.50
Call money rate (Bombay)**	10.00	10.00
Exim Bank (suppliers' credit)	8.50	8.50

** For minor irrigation, land development and under diversified purposes for small farmers; other 8%*

*** Weighted average of rates reported by selected banks*

*Money Supply (M3)	Rs. crores	% change over	
February 12, 1988	1,60,774	Fortnight	+ 0.8
January 29, 1988	1,59,509	Year	+ 16.4
February 13, 1987	1,38,114	Two years	+ 37.1

**Aggregate Deposit	(Rs. crores)	% change over	
February 12, 1988	1,20,521	Fortnight	+ 0.1
January 29, 1988	1,20,370	Year	+ 16.2
february 13, 1987	1,03,714	Two years	+ 38.0

***Foreign Exchange Reserves	(Rs. crores)	% change over	
February 12, 1988	4,084	Fortnight	− 5.4
January 29, 1988	4,316	Year	− 19.6
February 13, 1987	5,077	Two years	− 14.3

Bank Credit	Rs. crores	% change over	
February 12, 1988	1,01,722	Fortnight	+ 0.2
January 29, 1988	1,01,487	Year	+ 11.5
February 13, 1987	91,229	Two years	+ 28.5

Foreign Exchange Rates (Spot) 1988

	1988 Feb. 26	1987 Feb. 27
One P. Sterling	23.06	20.16
One US Dollar	13.02	13.02
One D. Mark	7.70	7.14
One hundred J. Yen	10.00	9.00

CSO Index of Industrial Production (1980-81) 1987

1987		June	160.3
January	173.0	July	161.7
February	169.2	August	162.5
March	186.9	September	168.1
April	156.7	October	171.6
May	150.0	November	167.8

Notes: * *Comprises currency with the public plus deposit money of the public plus time deposit with banks*
** *Demand deposit plus time deposits with all scheduled banks*
*** *Including SDR's excludes gold coins*

Living in fear of the bear

Officials in the finance ministry are keeping their fingers crossed, hoping that the gamble of reopening the country's stock exchanges to limited forward trading does not blow up in their faces. There is every reason for them to feel nervous because the first week of trading after the stock exchanges moved to phase two of the Dave Committee schedule showed that the bear grip is still strong. Every day there were reports of prices, either overall or those of market leaders, moving downwards. The daily market reports spoke of factors such as the lack of follow-up support, profit-taking at the bulges, etc. but all these are signs of an impending bear onslaught. The finance ministry is worried because, disclaimers to the contrary notwithstanding, it is the controlling force behind the actions of the stock exchange authorities and will be held responsible if the markets fail to perk up.

One reason why the finance ministry officials are reluctant to get egg on their faces is the fact that some sections of the market had warned against a relaxation of the curbs on forward trading. Indeed, some had even sought a permanent ban on carry forward trading. Their argument was that except in times of white heat, as in 1985 and early 1986, the *badla* system of trading which dominates the exchanges will always apply a downward pressure on prices. Market operators thus have a strong incentive to make short sales since they will always earn *badla* whether the market is going up or not.

The finance ministry shrugged aside these arguments, especially since some powerful Bombay brokers threatened to go on strike if trading curbs were not relaxed. The ministry took the plunge in the hope that safety measures such as daily margins on transactions, carry forward margins at the turn of settlement and limits on the outstanding business of individual brokers would be sufficient to prevent a decline.

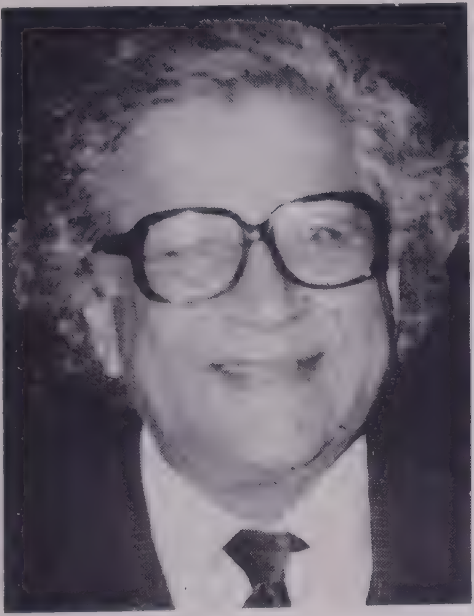
The first week of trading has shown that these hopes rest on a shaky foundation. Stage one of phase two of the Dave Committee schedule has seven more weeks to run and things may change. Finance ministry officials hope the change will be for the better. If not, they will have to clamp down restrictions again. And this time, they will be much more careful about relaxing them. They may even opt for a permanent ban on forward trading.

Abid's book of quotes

The most flamboyant character in the Planning Commission is Abid Hussain, member in charge of policies and plans relating to industrial development. An unabashed votary of Rajiv Gandhi's pro-business policies, Hussain is fond of using hyperbole to sing the praises of liberalisation, modernisation, competition, free entry and free exit for companies and all the other ingredients of the so-called second industrial revolution in India.

When addressing an audience, Hussain often goes overboard in his hosannahs but he is still interesting to listeners because he brightens his overly long speeches with flashes of wit and penetrating observation. Take, for instance, his speech in Delhi recently to the Confederation of Engineering Industry (CEI). Hussain was emphasising his conviction that the economy has to be thrown open to not only internal but also external competition. Indian industry, he said, can grow and become efficient only if it takes on competitors from all over the world. "Competition has to be international, it cannot be confined between Connaught Place and Subzi Mandi." Or again, "You cannot get a P.T. Usha by running only in the local league."

Hussain also strongly feels that five or 10 Indian companies can, if they set their minds to it, produce world class products and pull India up. "Sony made Japan, the Volkswagen Beetle made Germany. These products caught the imagination of the world. What product is India known for?" Hussain asked.


Hussain: quip trip

An image of India has to be created in the world market and this can be done only by manufacturing a product which catches the imagination of millions within and outside the country. But the image, he warned, can "only be as bright as the substance. You cannot just produce films and be a *Shahenshah*." Bold words for a former bureaucrat, but that is what makes Abid Hussain tick.

Still, listening to Abid Hussain can be a difficult experience sometimes. As a wag in the audience at the CEI meeting put it, "When he makes a speech, Hussain needs no introduction. But he badly needs a conclusion."

A struggle for empire

Sometime in February this year, the petroleum ministry wrote a letter to the Oil & Natural Gas Commission (ONGC) and Oil India Ltd. (OIL) which created a furore in the upper echelons of these two companies. The ministry told ONGC and OIL that the entire responsibility for processing, transporting and marketing natural gas will henceforth vest with the Gas Authority of India Ltd. (GAIL). Consequently, the letter said, all the assets and liabilities of ONGC and OIL relating to gas processing, transportation and marketing should be transferred to GAIL.

To begin with, ONGC was told to transfer assets in the following sectors to GAIL: the Krishna-Godavari and Cauvery basins, Tripura, the western offshore area (excluding the Hazira processing complex), and the compressed natural gas project of ONGC. Wishing to speed up the process, the petroleum ministry also set a deadline: the transfer of assets and liabilities should be completed by 31st March this year.

But it is highly unlikely that the deadline will be met. The main reason is that the top bosses of ONGC and OIL are resisting the effort to reduce their span of control. One of the parameters of success in government is the size of the empire which an official controls and this is one reason why the exercises on zero-base budgeting are proceeding so slowly. In like manner, ONGC and Oil India are not prepared to let a big slice of their empires be chopped off without a bitter fight

Sam sets sail

Another whiz-kid of the ad world has struck out on his own — Sam Balsara, till recently the vice-president of Mudra Communications Pvt. Ltd. Balsara, who says his parting with Mudra was on the friendliest of terms,has — in the ad industry's time-worn tradition — delivered the usual parting kick by taking some plum accounts. Among them: Godrej Soaps' Cinthol and Nelco's TV accounts.

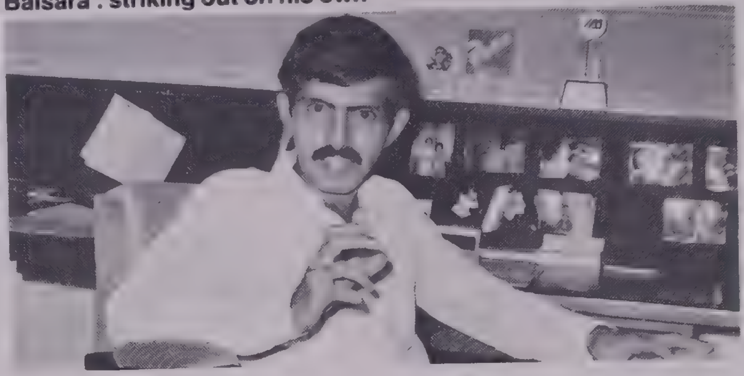
Mudra's loss will be the gain of Madison Advertising, a hitherto dormant ad agency in which Balsara will be the managing partner with a majority stake. By choosing to hop onto an existing agency — however dormant it may have been — Balsara has avoided some of the usual hassles involved in starting a new agency from scratch.

In making this move, Balsara has taken a different route than the one chosen by two other ad men who broke away from their mother agency — Ulka Advertising — in recent weeks. One of them, George John, was the resident director of Ulka in Delhi before he set up an agency of his own, styled Anthem Communications. Another Ulka deserter, Rumi Mistry, has set up shop under the banner Rhizic.

Balsara has not only chosen a different road to independence, but also says he's not going to enter the rat race for billings. "My target for the first year is Rs.2 crores of billings. But we're going after quality and giving clients good service," he proclaims.

If he delivers, that should be good news for his clients.

Balsara : striking out on his own



Glasnost for businessmen

Who says *glasnost* isn't for real? Not Indian businessmen certainly, because under the Gorbachev dispensation they can be in and out of the Soviet Union in a jiffy without having to tangle with the ins and outs of the Soviet visa system.

The Soviet government has decided to give multi-entry (and exit) visas to Indian businessmen who have accredited offices in Moscow, and others with substantial trade links with Russia. The latter will, however, require the nod of the Soviet ministry of foreign economic relations or of the appropriate Soviet trade organisation before the multi-entry visas are handed over to them.

Representative business organisations in India have been advised to supply lists of businessmen trading with the Soviet Union to the latter's offices in Delhi, Bombay, Calcutta and Madras. Those on the list will be granted visas within 24 hours.

Even the others need not feel disappointed. Businessmen seeking to negotiate deals in the Soviet Union need only apply five days in advance with the necessary tourist documents. After that the visa should be theirs.

Reliance plans consultancy

Reliance Industries Ltd. is planning to set up a full-fledged multi-purpose consultancy company, basically for the engineering sector. This is likely to be in collaboration with Lummus of the US: one of the international leaders in the field. Their area of expertise ranges from fertiliser turnkey projects and petrochemical plants to industrial reconstruction and modernisation. Lummus made a splash recently by bagging the contract for the detailed project report for the Mangalore refinery project of the Birlas. Incidentally, its Delhi representative is none other than the son of SAIL chairman V. Krishnamurthy

Who's in charge?

There seems to have been a tremendous amount of confusion within the portals of the Union government about the handling of the coal strike last fortnight. On the one hand, the new Union labour minister Jagdish Tytler wanted a "free hand" to tackle the strike, but the prime minister's office seemed to trust Vasant Sathe, the minister in charge of coal, a bit more.

In the meantime, industries minister J. Vengala Rao also jumped into the act and tried to deal with the strike in his own fashion. Naturally, Coal India's chairman G.L. Tandon seemed to be spending more time talking to ministers and bureaucrats than in dealing with the unions. Predictably, too many cooks spoilt the broth and the strike was successful.

Cementing a joint front?

Is the Madras headquartered India Cements Ltd. (ICL — sales: Rs.138 crores in the year ended 31st March 1987) facing a new "takeover" attempt? Corporate monitors aver that there seems to be more than meets the eye in the unexplained recent rise in the share quotation of India Cements on the floor of the Madras stock exchange from around Rs.12 per share (face value: Rs.10) in December last to about Rs.16 currently.

Speculation is rife that the rise has been triggered off by some sustained buying on the part of P.R. Ramasubramaneya Rajah, the promoter-managing director of the eminently profitable Madras Cements Ltd. (sales: Rs.34 crores; profit after tax: Rs.4.3 crores in calendar year 1986). He is said to have bought up 10% of India Cements' equity, making him the second largest shareholder after K.S. Narayanan (12%).

If Rajah and Narayanan present a joint front, it is possible that the financial institutions, which hold a controlling (52%) stake in the company, might agree to hand over ICL's day-to-day management to the duo. It might be recalled that Narayanan's efforts in 1985-86 to gain management control over ICL fell through because the institutions vetoed the idea. But given Rajah's proven track record in running a cement company, the proposal takes on a different complexion now.

Whether the financial institutions will want to 'destabilise' ICL's present management — which has initiated a Rs.100 crore modernisation exercise with World Bank aid — is the moot point.

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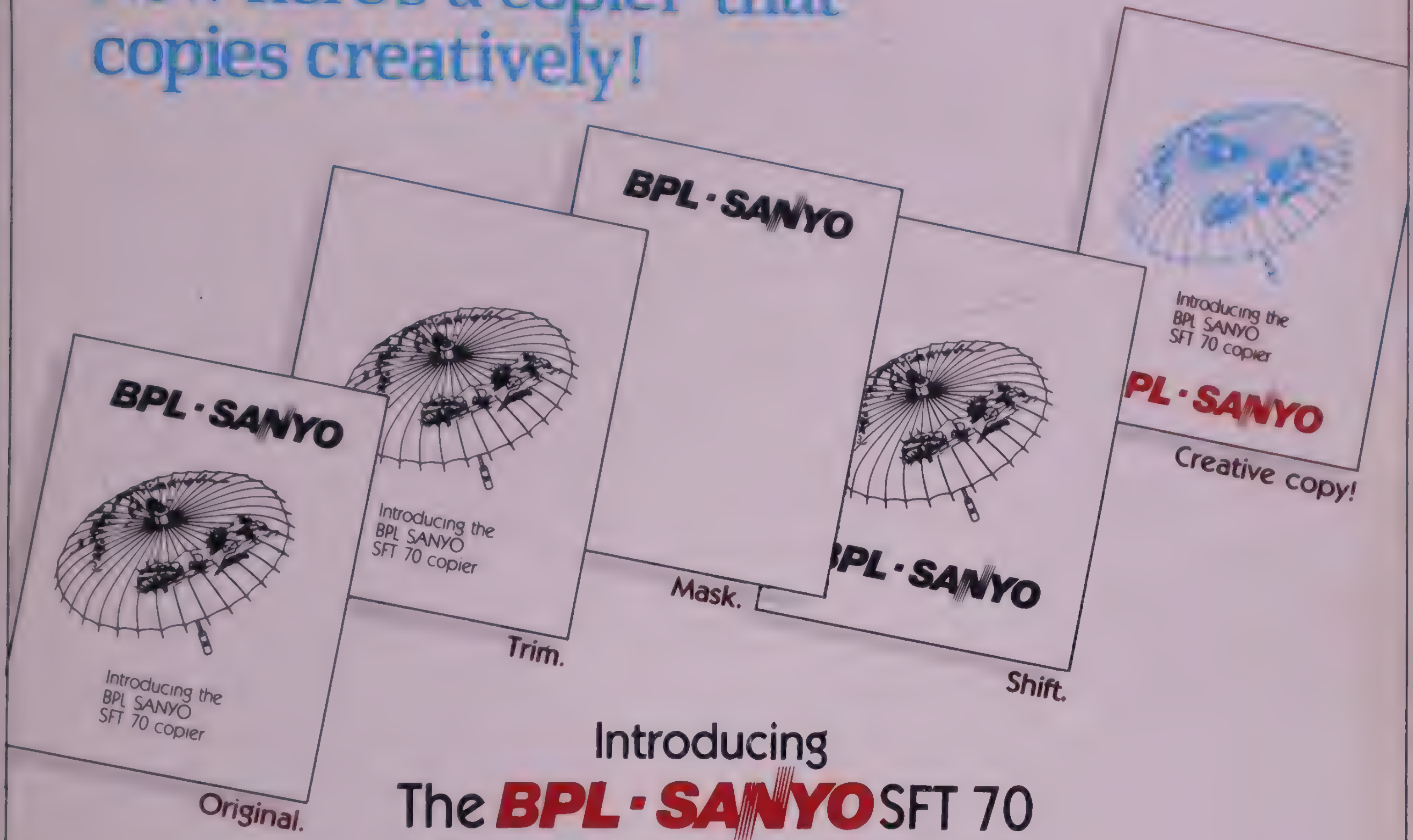

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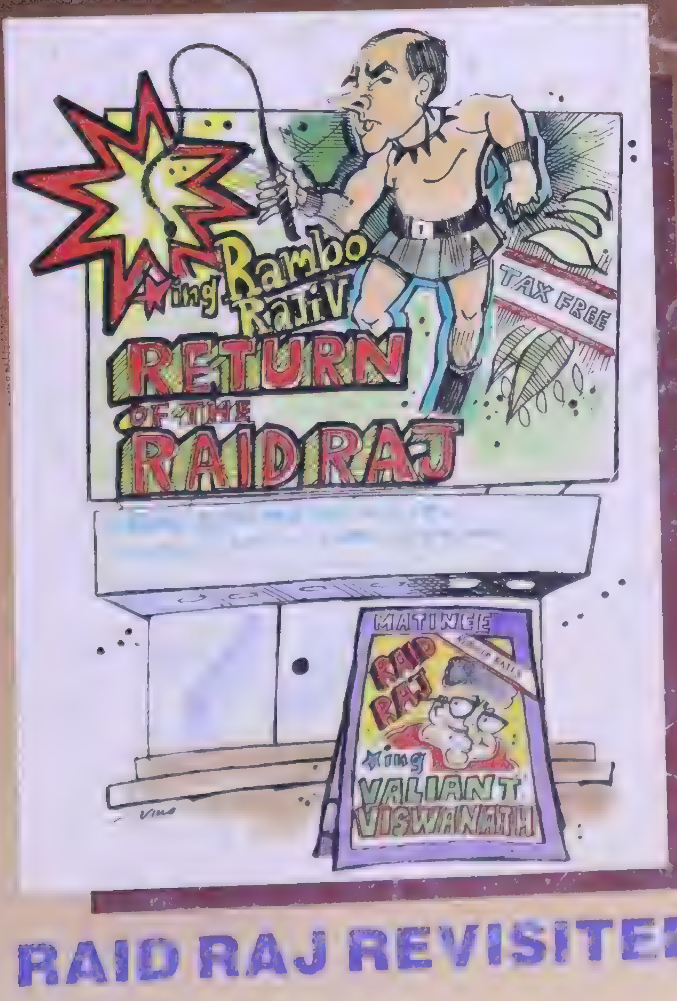
THE NELCO TURNAROUND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After many years of wandering in the wilderness, Nelco has emerged with both profits and a purpose. There are many factors which have contributed to this dramatic turnaround.

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The public sector auto maker got away scot-free in the recent Union budget while imposts have been slapped on its competitors. It's time now to change gear to shift into an even faster lane.

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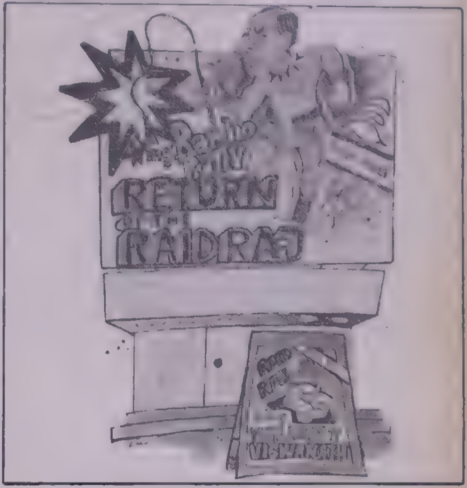
For businessmen who thought that with the exit of V.P. Singh the curtain had been rung down on the raid raj, 17th March came as a shocker. The moot question: is Rajiv trying to outdo Singh to make a political point?



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Parasmal Lodha is back again in the headlines because of his reported exit from Peerless. Once a small-time property dealer, he is now rubbing shoulders with the biggest names in industry.

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N.J. Nanporia is a former editor of *The Statesman* and *The Times of India*

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H.P. Ranina is a well-known Bombay-based advocate.

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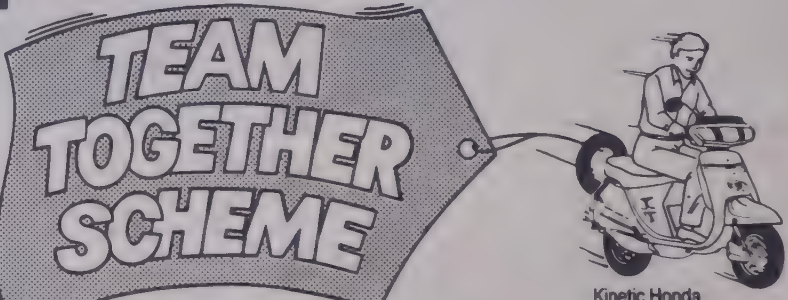
HOW TO EARN THE GOODWILL OF YOUR EMPLOYEES WITHOUT PAYING A PAISA



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If there is one thing that's quite wrong with the country's allegedly liberal economic policy, it is that no one knows where it's headed. Or, for that matter, where it is supposed to head. It wasn't so in those euphoric days of early 1985, when everybody — from Rajiv Gandhi down to the lowest petty panjandrums in the economic ministries — claimed to be leading the country to the brave new world of policy liberalisation, free-ish competition, modernisation and the 21st century. While there is little doubt that the last-named goal will be attained — after all, to reach the 21st century one only has to hang around for a couple of years — in every other area the country seems to be either aimlessly pottering about in mid-field or has lost sight of the goal-post altogether.

Take the case of policy liberalisation. In 1985, when a whole host of industries were suddenly thrown open for expansion and competition, the expected happened. Lots of hard-boiled businessmen and still-wet-behind-the-ears entrepreneurs quickly concluded that the millenium had arrived and launched multi-crore projects, never mind that the market was not large enough for all of them to survive and prosper. Not surprisingly, today large swathes of industry are mired in excess capacity and a glutted market. Nothing wrong with that. In fact, an easy supply position and the emergence of a buyers' market in several key sectors bear testimony to the success of the original policy liberalisation measures. Unfortunately, the government now appears to be half-inclined to disclaim credit for this success since it is unwilling to pay the political price for taking the liberalisation process to its logical conclusion: allowing the inefficient to die or merge with healthier companies. This is likely to prove costly for the nation since by keeping the inefficient alive, even the efficient may catch the virus by being forced to operate below economic levels of production or sell below cost to survive in a competitive market.

While there is nothing wrong in helping a temporarily sick unit to revive by offering institutional loans at the right time, there is no gainsaying that in the long run a company has to stand on its own feet. Otherwise, there are only two options open to it: merge or submerge. The National Radio & Electronics Co. Ltd. (Nelco), the subject of our cover story this time and an indifferent performer at the best of times, has managed to save itself just in time and avoid these unpalatable options. Led by chairman Ratan Tata and CEO S.K. (Bobby) Mukherjee, Nelco has put in its most inspired performance yet and wiped off all its accumulated losses. Is the turnaround for real? Most likely, since it is not easy to manufacture success in a highly competitive field.

In the other major focus of this issue, we bring you the story of another competitively successful company: the public sector Maruti Udyog Ltd. (MUL). At the juncture when the passenger car market shows signs of becoming a buyers' paradise, we take a look at MUL's strategies and plans for staying at the top.

As *BusinessWorld* enters its eighth year of existence (we turned seven on 30th March), it appears as if the world of business is on the threshold of exciting times. We hope to capture most of that excitement for the benefit of our readers and well-wishers in the issues to come. And that's a birthday pledge.

R. Jagannathan

asci

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Learning from Maggie

Last month, the British budget was placed before the House of Commons by chancellor of the exchequer Nigel Lawson. Under normal circumstances, the budget proposals in a foreign country would not have warranted editorial attention in an Indian business magazine. Yet, it is obvious that there are palpable lessons to be learnt from Thatcherite Britain's success story, of which Lawson's budget is a part.

To start with, the UK budget ordains bold tax cuts worth a staggering £4 billion (Rs. 9,600 crores). The basic tax rate has been cut to 25% (*cf.* 33% in 1979, when the present leadership came to power) while the top income tax rate is now 40% (*cf.* 83% in 1979) — lower than in any other leading industrialised country. The corporate tax rate has also been slashed from 52% to 35%, while there has been a near-neutering of inheritance taxes. Capital gains tax on assets acquired before 1982 is being abolished.

Britain's dramatic tax-reform budget of 1988 closely follows the equally dramatic success of eight years of Margaret Thatcher, the clinching evidence of which is the fact that the country has witnessed eight successive years of sustained growth. In fact, in terms of economic growth, the UK is now at the top of the European league; in the seventies it was at the bottom. Specifically, productivity growth in the manufacturing sector is running at a healthy underlying rate of 4% a year. Inflation has been successfully capped, and is slated to dip to 4% by the end of this year.

These results were not obtained by chance. Indeed, the enabling steps were brave and bold ones: the abolition of exchange controls, privatisation, trade union reforms and so on. In clear-cut terms, business and industry were given the confidence to expand even as supply side reforms progressively removed the barriers to enterprise. Not surprisingly, price stability stopped being a mirage and job creation too became a reality, as productivity zoomed both in the private and nationalised sectors.

Another salient point: the citizenry have been given concrete promises and not vague assurances. Last month, for instance, British Telecom pledged that by 1990 the failure rate of calls owing to network faults would be held at 0.5% (*cf.* 4.2% currently) and the average time taken to connect a call would be reduced to one second (*cf.* 12 seconds now).

The lessons which India can draw from the British experience are several. An elementary point is that mere cosmetic tinkering with problems is unlikely to ever alleviate them. Another is that it is self-defeating to tread the path of populism; negotiating the rocky road to economic recovery invariably involves hard decisions, some of which are bound to be unpopular. Rather, it is far more important that the leadership lays down its vision of the end-goal in terms that are tangible enough to be grasped by the laity. In other words, the promises must be specific — and they must be kept.

Unfortunately, fiscal, monetary and economic policies in India are all too replete with flip-flops, expediencies and myopia. Will our leaders care to examine the British turnaround story? And perhaps learn the art of seeing beyond their noses?

After storming the Guinness book as the world's biggest bicycle manufacturer **HERO CYCLES** jointly with **GIIC** now launches

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The plant is located in a very spacious building comprising of 18,000 sq.mts. of built-up area.

Assured and growing market

The Company proposes to export upto 60% of fancy bicycles to West European countries and the U.S. This should not be difficult as the hardening of the Japanese Yen and New Taiwanese Dollar have now made Indian exports more competitive in the world market. The remaining of these premium bicycles are expected to be lapped up by the eager bicycle enthusiasts all over India.

The Company's bicycles to be marketed under the name "ROYAL HUNTER", will compare favourably with the best in the international market in terms of quality, looks and price.

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- Marketing expertise of Hero Group — The promoters of HERO HONDA.
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- Commercial Production in April, 1988.
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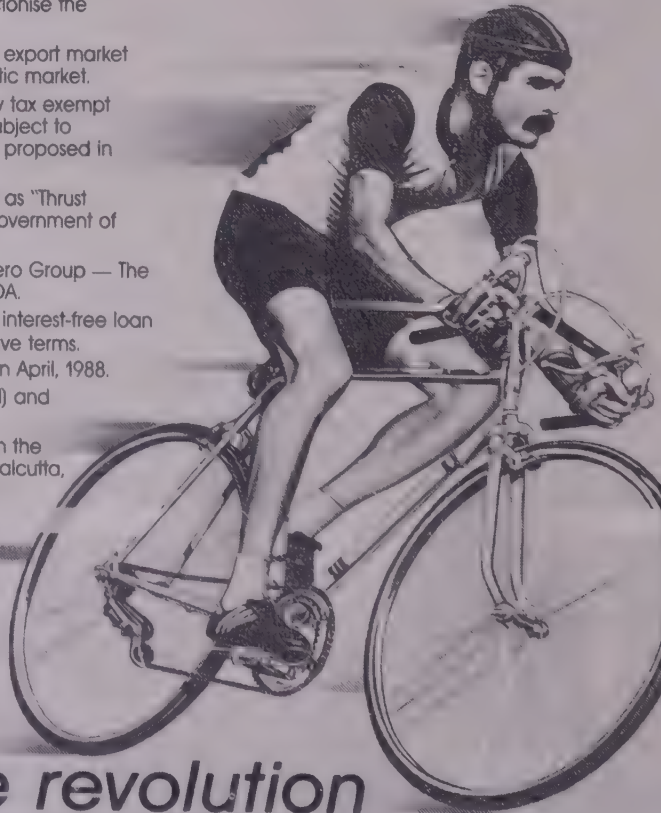

Join the great cycle revolution

Sobhagya-B/GC/88

BusinessWorld
April 11—24, 1988

What about NITIE?

SIR — I have been a subscriber to *BusinessWorld* for a long time. I am very impressed by its coverage and structure. It was indeed nice to read the article on 'Headhunters on campus'. It was very timely, since most of the popular business schools recruit around this time.

However, it is unfortunate that the National Institute for Training in Industrial Engineering (NITIE), Bombay, was left out totally. NITIE enrols highly meritorious engineering graduates and offers a postgraduate diploma in industrial engineering.

The students of NITIE, unlike those of the IIMs or IITs, are recruited half way through the course and can still make their second and third choices during the next half. Each student, besides having a wide choice of companies, also has the option of seeking a training waiver and a higher initial salary, apart from having a say in deciding his place of posting. The companies which turn up at NITIE for campus recruitment include HLL, Colgate, Ceat, BankAm, Citibank, Amex Bank, Siemens, Glaxo, Asian Paints, Brooke Bond, Godrej, PAL, TCS, Wipro and a host of others.

Earlier, the name of this institute was not very well known in industrial circles. Now that Indian industries have started realising the potential of industrial engineers as "productivity chasers," the companies headhunting at NITIE have increased manifold.

R. Suresh
Bombay

Games companies play

SIR — I read with interest your Cover Story 'Headhunters on campus'. One aspect on which you did not focus much attention was the behaviour of the organisations which come for campus recruitment. Being a graduate of IIM, Ahmedabad, I would like to inform readers about the despicable conduct of some of these organisations.

One reputed foreign bank asked interviewers to provide sensitive information about other applicants. This is a patently unfair practice. Besides, this bank wanted people to crack 'dirty jokes' (the words are those of the bank's representative) during the interview.

Another of these foreign banks informed us that those selected will have to sign a three-year bond. Initially, when this bank had invited applications a month earlier, there was no mention of any bond. No wonder quite a few students felt let down later.

Then there was another multinational company which held group discussions and interviews, but towards the end of the interview it dropped a bombshell and told the candidates that they would be posted in Punjab for "any period between 18 months and 6-7 years." If this was the company's intention the same could have been made clear when the application forms were distributed.

Even worse is the case of a company which received 105 applications and then informed us that it had decided not to come to the campus for recruitment.

There have been instances where interviewers look out of windows and clean their ears even as an interview is in progress.

It is not my case that students do not misbehave. They do. But unless organisations learn to behave themselves, they have no right to expect anything better from the students.

Sundar Sankaran
Bombay

Not so sweet success

SIR — The Spotlight article 'Nutrine's sweet success' (*BW* February 29-March 13) made interesting reading. As an observer of the confectionery market for a number of years, I have come to the following conclusions:

(1) Out of Nutrine's estimated production of 1,200 tonnes per annum, over 75% of it is sold in the south. Only the balance goes to the west, north and east of India. Despite having over 50 varieties of products, Nutrine has been unable to make a dent into Parle's and Ravalgaon's strongholds.

(2) It was a prolonged strike at Parry's confectionery unit in the early eighties which pushed Nutrine ahead without the company being aware of it. The vacuum created by the non-availability of Parry's products pushed Nutrine to the No. 1 position because of its capacity to cope with the market demand. Only after this did the company become aggressive.

(3) Industry sources confirm that Parle has already overtaken Nutrine in terms of volume sales. This is a creditable achievement for Parle as its product range is small.

(4) During the last few years Nutrine has been steadily reducing the volume of its low-value products in an effort to keep retail margins high. This short-term strategy will not work any further as the company has already been pushed to a stage in which no further reduction in size is possible due to statutory stipulations and the escalating cost of packaging material. This short-term strategy was not adopted by Parle, which makes plans with long-term, long-range benefits to the company and consumers in mind.

(6) Nutrine has not been able to make a mark in any other area other than confectionery and biscuits. The company mainly depends on the Nutrine brand name and distribution strength to sell. It ought to rely more on market research and do enough homework before entering other fields like soft drink concentrates, instant foods, pulp exports, etc.

S.B. Chandrasekaran
Madras

Values matter

SIR — I was very impressed by the Cover Feature 'Headhunters on campus'. I would like to give my views based on my past experience of being interviewed and interviewing. There is one shortcoming which I have noticed. We tend to get carried away by credentials and qualifications, and in the process forget the most critical aspect of human beings, which is character. This is only a matter of judgement which comes by experience and not by attending business management schools and institutions. May I add that "Education is training the mind and not stuffing the brain. Character efficiency is the fruit of the former, while the latter produces mental stagnation and the attendant deficiencies in character."

Values, such as loyalty, commitment, dedication, sincerity and selfless service, are expected from a manager, because he is serving society through the company. This education is not imparted by any institution and it is only by way of loyalty through selfless service and integrity that career growth is possible. Everything else is short-term and we may well see the day when interviews will not be conducted on campuses anywhere, until these values are instilled.

V.S.V. Kumar
New Delhi

The Catch-22 syndrome

SIR — After reading your Special Report "DCM: dog days continue" (*BW* February 29-March 13), many will agree that the least the DCM management deserves for its lackadaisical track record is a merciless fusillade of critical brickbats from its shareholders in general and discerning viewers of the corporate scene in particular. The frustration of the company's shareholders will turn into rage on reading the platitudes mouthed by the scions of the Shriram family.

They all seem to be engaged in a Lilliputan endeavour to tackle the Gulliver in their hands by archaic techniques propounded by management textbooks published from their neighbourhood in Delhi. The DCM paladins do not appear to have heard of the modern management gurus like Drucker, Morita or Iacocca.

The DCM management seems to have gone under, following the trauma of the takeover bid by Swraj Paul, which they were able to stave off only by holding on to the apron strings of the Nandas of Escorts. It was the latter who were at the vanguard of the battle against the nefarious hijack operations of Swraj Paul.

Though the takeover threat has finally receded, the family management seems to have developed a catch-22 syndrome. They keep scarring the face of their maiden to ensure that any other marauder turns his face away in disgust. Let it be told to the somnolent Rams of DCM that their maiden is still captivating enough to be whisked off by an enterprising takeover artist with an earnest yearning to suture the financial haemorrhaging of this centurian company. I think a vast majority of shareholders, whose litany of woes abounds, wistfully long for such a Prince Charming to hit the stage. If this happens, no one will hear the Rams strumming their elegy, unlike before.

R.C. Khanna
Amritsar (Punjab)

A misunderstanding

SIR — I refer to the letter 'Negative picture' (*BW* February 29-March 13) published in the Letters to the Editor column which was in reply to my earlier letter on the active retirement of A.N. Haksar.

Krishan Kalra has obviously misunderstood what I stated in my letter. Anyone who read the letter with some care would have noted that clearly there was no malice and/or criticism of this doyen of industry. Far from being critical, I am a great admirer of the man.

My letter sought a follow-up to an earlier article. The information which I had gathered revealed that all is not well and as such, I had specially commented that the failure was not that of Haksar but of the management teams involved in the projects.

My information was that the Garden and Gulmohur estates had great difficulty in being booked. Why is the management still negotiating the electronics venture even after the lapse of nearly two years? Is the takeover of the financier's own hotel in Hyderabad and the negotiation for the takeover of one more in Indore all that the management could achieve in two years? If the distribution company has its hands full, what are the products marketed and with what degree of success in terms of the bottomline?

My admiration for Mr. Haksar cannot in any way be misinterpreted as a grudge. Far from it. I believe that it is because of his goodness that he has lent his name to managements which cannot deliver the goods. Then again, if what Mr. Kalra says can be corroborated by your eminent magazine, I stand corrected.

S. Chowdhury
Bombay

We're right

SIR — On your Economic Review page (*BW* February 29-March 13), the money supply (M3) on 15th January 1988 is mentioned as Rs. 1,61,361 crores. But in the March 7-20 issue of *Business India*, the broad money (M3) on 15th January 1988 is given as Rs. 1,61,104 crores.

Now let me know whose M3 figure is correct, as there can't be two figures for the same day.

Raghunathan P.K.
Madras

Our figures are the latest and correct. The figure carried by Business India *is an old one put out by the Reserve Bank in its Weekly Statistical Supplement dated 8th February 1988. Ours is the corrected figure put out by the RBI on 22nd February — Editor.*

Very informative

SIR — The Cover Story 'Headhunters on campus' made really interesting reading. It was a very thought-provoking and informative article, particularly at a time when the unemployment level is very high.

There's one article which I am really looking forward to reading in your magazine — an indepth study on employee turnover, comparing the situations in leading public and private sector companies.

There is also a small clarification that I seek. In the cover story mentioned above, a box item entitled 'The pecking order' mentions a company called IOCL. What exactly is the full form of this abbreviation?

Vijay
Guwahati

IOCL is the abbreviation for Indian Organic Chemicals Ltd. — Editor

A notable omission

SIR – This has reference to the Cover Feature 'Headhunters on campus' (*BW* February 29-March 13).

In the article you have covered all the reputed management institutes in India but have omitted one premier institution which is the only one of its kind: the Institute of Rural Management, Anand, IRMA for short. This institute is as good as any of the others and caters to the agro-development sector of the country, which has received maximum attention in our recent budget. Incidentally, you had also featured a cover story on this institute in November, 1984.

An article on campus recruitment is incomplete if this important institute is ignored.

V.G. Ravindra
Bangalore

Wrong figures

SIR — With reference to the Spotlight article 'Two-wheelers: collission course' (*BW* February 15-28), I would like to correct certain statements appearing in it.

The sales of Bajaj Auto Ltd. for the year ended 30th June 1987 were Rs. 607.7 crores and not Rs. 60.8 crores (reference table on page 65).

Mr. H.K. Firodia was never the chairman of Bajaj Auto.

In the near future we plan to manufacture a million vehicles annually, and not in a 'month' as mentioned on page 66.

Rawindra Mehendaley
Assistant manager
(advertising & sales
promotion)
Bajaj Auto Ltd.
Pune

The errors are regretted. — Editor

'Fly-by-night' publishers

SIR—We refer to your Business News article 'Phoney clones' (*BW* February 1-14) singling out Eastern Circle Yellow Pages Pvt. Ltd. and the unfair commercial activities of Raj Mohan and his wife.

We wish to add our own experience to your report. In August 1987 their sales executive had visited us and we had placed orders for the Delhi and Bombay directories for 1987 besides placing an ad in their forthcoming Calcutta version. In spite of reminders and a call to their Calcutta office, we have yet to receive the directories or an official letter stating reasons for the delays, etc.

It is high time such 'fly-by-night' publishers are taken to task for not keeping their promises. It doesn't cost them much to reassure their clients that they will execute their side of the contract.

Ramsay Ezra
Calcutta

A good effort

SIR—Mr. Dilip Thakore's article on leisure spots around Bangalore (*BW* January 18-31) was welcome. As a person who left behind the heat and dust of Madras to pursue a career in Bangalore, I am appreciative of his efforts to highlight the "beauty spots" of this lovely city.

However, there is another aspect to Bangalore which is worth reporting on — the fact that the garden city is fast becoming a corporate centre. Several corporate groups like Britannia and Brooke Bond have shifted their headquarters to Bangalore. Lower real estate prices (relative to Bombay), availability of skilled manpower and managerial talent and the propensity of people to move to Bangalore are cited as reasons.

But whatever the reasons, it is clear that Bangalore is rapidly evolving into a metropolis in its own right. The signs of rapid growth are there for all to see — receding borders, new colonies and increasing pollution. Unfortunately, Bangalore lacks the infrastructure required to make it a successful corporate centre. While there are not enough rail and air links to other important cities, the transportation facilities within the city are also reminiscent of a bygone age. Even centrally-owned services like post offices and airlines open late and close early, preserving the habits of Bangalore's lazy past. Thus the new corporate inhabitants are likely to find the city critically short of the vital infrastructure they have come to take for granted. It would be nice if *BW* could carry an article on these and related issues with regard to Bangalore.

Lastly, to return to Mr. Thakore for a moment, I disagree with him that "dating and socialising is an alien concept to the city..." In fact the city is quite "advanced" in this respect. A few of my friends join me in wishing Mr. Thakore better luck next time!

Ashok Bhaskaran
Bangalore

Generalised findings

SIR—The Management article 'Why some unemployed are unemployable' (*BW* February 15-28) was very revealing. It is widely believed, however, that the Indian corporate sector has failed to tap the available talent even as the pace of the brain drain from the country has accelerated. People going abroad have a proven track record of talent and commitment in foreign lands, which speaks abundantly for their employability in India.

The Japanese model of human resource development has yet to find a place in our corporate life, which only tunes people in their respective aptitude. Moreover, HRD, in our context, has failed to promote talent from within the existing management hierarchy and find the answer to the problem why "some employed face underemployment."

Mr. Mathur appears to have generalised his findings based on a few examples he happened to come across.

B.K. Choudhary
Calcutta

Cruel irony

SIR—This has reference to the news item 'Petrol prices hiked' in the Last Fortnight column (*BW* February 1-14). The explanation given by the Central government, that the hike in petrol prices is meant to curb consumption, is palpably false. The hike is solely geared to gather more revenue for the government.

It is made to look as if the consumers are the villains of the piece. The truth of the matter is that it is the government's own acts of commission and omission that have pushed up the demand for and consumption of petrol. If the public transport system was efficient, few would be inclined to go in for personal vehicles. The annual production of fuel-guzzling automotive vehicles has greatly increased. By what kind of magic can the quantity of petrol consumed remain the same as before unless the government rations petrol to control its consumption?

There is a cruel irony in the fact that the government of one of the poorest countries is selling its citizens the costliest petrol in the world.

V.P. Baliga
Mysore

Teckchandani replies

SIR—The Delton Cables recommendation (with reference to R.G. Seshachalam's Letter to the Editor 'Wrong tip' — *BW* February 1-14) appeared in one of my columns under the specific heading — 'Unstructured advice.' Such advice is primarily based on random information available from market sources.

As rightly pointed out by you, the company was not doing well and is the only company in the cable industry recording "poor performance." The fortunes of the cable industry have undergone a sea change only in 1987 and Delton Cables has a handicap because it has an accumulated loss of Rs. 1.73 crores. While a historical review of the company's performance is obligatory, it must be borne in mind that investment advice is largely based on the expected future of the company and the industry as a whole.

Delton Cables is likely to report improved working for 1987-88 but it would be premature to come to any hasty conclusion. Hence the recommendation was merely to "watch closely" and not categorically "buy". Subsequent to such monitoring, an intelligent investor has at his disposal mathematical tools to evaluate each investment decision.

Further, you would be aware that investment consultancy is a fully developed profession in the West. The success and efficacy of the concept of "portfolio management" essentially needs to be evaluated on the basis of net gains made by investors from a basket of scrips over a period of time. To condemn the science of investment consultancy on the basis of a single piece of random investment advice given can at best be described as being both short-sighted and petty-minded.

Gul Teckchandani
Bombay

BusinessWorld invites letters from readers on matters of topical interest. Letters should preferably be typed and not exceed 250 words.

APPOINTMENTS

NATIONAL TEXTILE CORPORATION LIMITED
(A GOVERNMENT OF INDIA UNDERTAKING)
NEW DELHI

GENERAL MANAGER (Finance & Accounts)

**EMOLUMENTS: Approx.
Rs. 4300/- p.m.
plus perks.**

**New Delhi, Calcutta,
Ahmedabad, Bangalore,
Coimbatore, Kanpur,
Indore and Bombay.**

National Textile Corporation Ltd. having 125 textile mills all over India under nine subsidiary corporations located one each at New Delhi, Calcutta, Ahmedabad, Bangalore, Coimbatore, Kanpur, Indore and two in Bombay invites applications for the above posts for empanelment against likely vacancies. These positions are available in the Holding Company and the subsidiary corporations located at above mentioned cities.
Emoluments (pay + DA) at the minimum will be Rs. 4300/- p.m. and at the maximum will be Rs. 5375/- p.m. In addition perks such as LTC, HRA, medical reimbursement, leave encashment, P.F. will be admissible.

UPPER AGE LIMIT: 45 years (relaxable by 5 years in case of SC/ST). Age relaxable in case of internal candidates.

QUALIFICATIONS: CA/ICWA

EXPERIENCE: 10 years of which 5 years should have been in a senior managerial position. Experience in textile industry will be preferred.

JOB DESCRIPTION: Evolving sound financial policies, ensuring their implementation and co-ordinating with various agencies concerned including Financial Institutions, Banks, Government Departments etc.

HOW TO APPLY: Interested candidates who meet the eligibility criteria may apply on plain paper indicating in particular (1) Name of the post applied for, (2) applicant's name and present address, (3) permanent address, (4) qualifications (indicating percentage of marks/division and year of passing, name of the University/Institution), (5) experience (in chronological order indicating, in each case, name and address of the employer, period served, post held, nature of duties, name and designation of his immediate superior, number of persons reporting to the applicant and emoluments drawn), (6) date of birth/age, (7) whether SC/ST.
Applications alongwith a crossed postal order for Rs. 10/- in favour of National Textile Corporation Limited, New Delhi (except in the case of SC/ST applicants) and copies of relevant certificates must reach the General Manager (Personnel), National Textile Corporation Ltd., 8th Floor, Surya Kiran Building, 19, Kasturba Gandhi Marg, New Delhi-110 001 within 21 days from the date of publication of this advertisement.
Candidates serving in Government/Public Sector Undertakings should apply through proper channel. Candidates called for interview will be paid single first class rail fare both ways by shortest route.
The reservation orders in respect of SC/ST candidates are applicable and the number of posts to be reserved for SC/ST as the case may be, will be decided depending on the number of candidates to be selected. The conditions of general standard and experience are relaxable at the discretion of the competent authority, if at any stage of selection, the competent authority is of the opinion that the required number of candidates belonging to SC/ST communities with the stipulated general standard and experience are not likely to be available.
Those drawing emoluments less than Rs. 4000/- p.m. or employed in a pay scale lower than Rs. 1500-2000 (pre-revised Central Govt. scale) need not apply.

ANY CANVASSING FOR THE ABOVE POSITION WOULD LEAD TO DISQUALIFICATION.

APPOINTMENTS

NATIONAL TEXTILE CORPORATION LIMITED
(A GOVERNMENT OF INDIA UNDERTAKING)
NEW DELHI

CHIEF GENERAL MANAGER (Personnel)

EMOLUMENTS: Approx.
Rs. 5000/- p.m.
plus perks.

New Delhi, Calcutta,
Bangalore, Kanpur,
Coimbatore, Indore,
Ahmedabad, Bombay.

National Textile Corporation Ltd. having 125 textile mills all over India under nine subsidiary corporations located one each at New Delhi, Calcutta, Ahmedabad, Bangalore, Coimbatore, Kanpur, Indore and two in Bombay invites applications for the above posts for empanelment against likely vacancies. These posts are available at the Headquarters of subsidiary corporations located at the above mentioned cities. The Corporation has an annual turnover of about Rs. 1000 crores and employs about 1.2 lakh employees. The Corporation is looking for a dynamic executive who can optimise human resource development. Chief General Manager will report directly to Chairman & Managing Director of the subsidiary.

Emoluments (Pay + DA) at the minimum will be Rs. 4850/- p.m. and at the maximum will be Rs. 5900/- p.m. In addition perks such as LTC, HRA, medical reimbursement, leave encashment, P.F. are admissible.

UPPER AGE LIMIT: 45 years (relaxable by 5 years in case of SC/ST). Age relaxable in case of internal candidates.

QUALIFICATIONS: MBA with specialisation in Personnel Management and Industrial Relations or Post Graduate Degree (including Master of Social Work) in Personnel Management and Industrial Relations from a recognised University/Institute.

EXPERIENCE: 15 years of which 7 years should be in a senior managerial position.

JOB DESCRIPTION: Evolving sound personnel & industrial relations policies, ensuring their implementation, employment control, evolving improved work norms and collective bargaining.

HOW TO APPLY: Interested candidates who meet the eligibility criteria may apply on plain paper indicating in particular (1) Name of the post applied for, (2) applicant's name and present address, (3) permanent address, (4) qualifications (indicating percentage of marks/division and year of passing, name of the University/Institution), (5) experience (in chronological order indicating in each case, name and address of the employer, period served, post held, nature of duties, name and designation of his immediate superior, number of persons reporting to the applicant and emoluments drawn), (6) date of birth/age, (7) whether SC/ST.

Applications along with a crossed postal order for Rs. 10/- in favour of National Textile Corporation Limited, New Delhi (except in the case of SC/ST, applicants) and copies of relevant certificates must reach the General Manager (Personnel), National Textile Corporation Ltd., 8th Floor, Surya Kiran Building, 19, Kasturba Gandhi Marg, New Delhi-110 001 within 21 days from the date of publication of this advertisement.

Candidates serving in Government/Public Sector Undertakings should apply through proper channel. Candidates called for interview will be paid single first class rail fare both ways by shortest route.

The reservation orders in respect of SC/ST candidates are applicable and the number of posts to be reserved for SC/ST as the case may be, will be decided depending on the number of candidates to be selected. The conditions of general standard and experience are relaxable at the discretion of the competent authority, if at any stage of selection, the competent authority is of the opinion that the required number of candidates belonging to SC/ST communities with the stipulated general standard and experience are not likely to be available.

Those drawing emoluments less than Rs. 4500/- p.m. or employed in a pay scale lower than Rs. 2000-100-2500 (pre-revised Central Govt. scale) need not apply.

ANY CANVASSING FOR THE ABOVE POSITION WOULD LEAD TO DISQUALIFICATION.

DODSAL

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Annual Remuneration
Rs. 50,000 Plus Perks

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The group has on its anvil ambitious plans for diversification as well as substantial expansion in its current lines of business, especially Exports. It is now looking for young Managers who are entrepreneural in approach and thrive on challenges.

The assignments will·be open ended, offering ample opportunities for innovative work.

We are looking for men and women in the age group of 23-27 years with a Post Graduate qualification in Management/Business Administration from any of the premier institutes, with specialisation in Marketing/Finance. Engineering qualification is a pre-requisite for some positions, but not for all. For the export division even non-MBAs with experience in foreign trade will be considered.

The compensation package is very attractive and is unlikely to be a limiting factor.

The group offers excellent professional milieu, congenial atmosphere and high degree of work satisfaction. Rewards are directly related to results and accomplishments.

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14, M.G. Road, BANGALORE-560 001

APPOINTMENTS

NATIONAL TEXTILE CORPORATION LIMITED

(A GOVERNMENT OF INDIA UNDERTAKING)

NEW DELHI

CHIEF GENERAL MANAGER (Marketing)

EMOLUMENTS: Approx.
Rs. 5000/- p.m.
plus perks.

New Delhi, Calcutta,
Ahmedabad, Bangalore,
Coimbatore, Kanpur,
Indore and Bombay.

National Textile Corporation Ltd. having 125 textile mills all over India under nine subsidiary corporations located one each at New Delhi, Calcutta, Ahmedabad, Bangalore, Coimbatore, Kanpur, Indore and two in Bombay invites applications for the above posts for empanelment against likely vacancies. These positions are available at the Headquarters of the subsidiary corporations located at above mentioned cities. The Corporation has an annual turnover of about Rs 1000 crores and is undertaking large scale product upgradation and market expansion both within the country and abroad. The corporation is looking for a dynamic and experienced officer. He will report directly to Chairman & Managing Director of the subsidiary.

Emoluments (pay + DA) at the minimum will be Rs. 4850/- p.m. and at the maximum will be Rs. 5900/- p.m. In addition perks such as LTC, HRA, medical reimbursement, leave encashment, P.F. are admissible.

UPPER AGE LIMIT: 45 years (relaxable by 5 years in case of SC/ST). Age relaxable in case of internal candidates.

QUALIFICATIONS: MBA with specialisation in Marketing from a recognised University/Institute.

EXPERIENCE: 15 years of which 7 years should be in a senior managerial position. Experience in textile industry will be preferred.

JOB DESCRIPTION: Evolving sound marketing policies, and strategies, ensuring their implementation, setting and ensuring achievement of sales targets and securing better sales realisation including exports.

HOW TO APPLY: Interested candidates who meet the eligibility criteria may apply on plain paper indicating
(1) name of the post applied for, (2) applicant's name and present address, (3) permanent address, (4) qualifications (indicating percentage of marks/division and year of passing, name of the University/Institution), (5) experience (in chronological order indicating, in each case, name and address of the employer, period served, post held, nature of duties, name and designation of his immediate superior, number of persons reporting to the applicant and emoluments drawn), (6) date of birth/age, (7) whether SC/ST.

Applications along with a crossed postal order for Rs. 10/- in favour of National Textile Corporation Limited, New Delhi (except in the case of SC/ST applicant) and copies of relevant certificates must reach the General Manager (Personnel), National Textile Corporation Ltd., 8th Floor, Surya Kiran Building, 19, Kasturba Gandhi Marg, New Delhi-110 001 within 21 days from the date of publication of this advertisement.

Candidates serving in Government/Public Sector Undertakings should apply through proper channel. Candidates called for interview will be paid single first class rail fare both ways by shortest route.

The reservation orders in respect of SC/ST candidates are applicable and the number of posts to be reserved for SC/ST as the case may be, will be decided depending on the number of candidates to be selected. The conditions of general standard and experience are relaxable at the discretion of the competent authority, if at any stage of selection, the competent authority is of the opinion that the required number of candidates belonging to SC/ST communities with the stipulated general standard and experience are not likely to be available.

Those drawing emoluments less than Rs. 4500/- p.m. or employed in a pay scale lower than Rs. 2000-100-2500 (pre-revised Central Govt. scale) need not apply.

ANY CANVASSING FOR THE ABOVE POSITION WOULD LEAD TO DISQUALIFICATION.

APPOINTMENTS

NATIONAL TEXTILE CORPORATION LIMITED

(A GOVERNMENT OF INDIA UNDERTAKING)

NEW DELHI

GENERAL MANAGER (Mills)

EMOLUMENTS: Approx.
Rs. 4300/- p.m. plus perks.

For mills located all over the country.

National Textile Corporation Ltd. having 125 textile mills with an annual turnover of about Rs 1000 crores is one of the largest textile companies in the world. It is undertaking major product upgradation, diversification and modernisation. It has nine subsidiary corporations located one each at New Delhi, Calcutta, Ahmedabad, Bangalore, Coimbatore, Kanpur, Indore and two in Bombay and invites applications for the above posts for empanelment against likely vacancies. It offers challenging opportunities to dynamic executives.

Emoluments (pay + DA) at the minimum will be Rs. 4300/- p.m. and at the maximum will be Rs. 5,375/- p.m. In addition perks such as LTC, HRA, medical reimbursement, leave encashment, P.F. will be admissible.

UPPER AGE LIMIT: 45 years (relaxable by 5 years in case of SC/ST). Age relaxable in case of internal candidates.

QUALIFICATIONS: Bachelor's Degree in Textile Technology from a recognised University/Institute.

EXPERIENCE: 10 years of which 5 years should have been in a senior managerial position in textile industry.

JOB DESCRIPTION: As Head of the mill unit, will be responsible for its entire operations and co-ordination with various agencies.

HOW TO APPLY: Interested candidates who meet the eligibility criteria may apply on plain paper indicating in particular (1) name of the post applied for, (2) applicant's name and present address, (3) permanent address, (4) qualifications (indicating percentage of marks/division and year of passing, name of the University/Institution), (5) experience (in chronological order indicating, in each case, name and address of the employer, period served, post held, nature of duties, name and designation of his immediate superior, number of persons reporting to the applicant and emoluments drawn), (6) date of birth/age, (7) whether SC/ST.

Applications along with a crossed postal order for Rs. 10/- in favour of National Textile Corporation Limited, New Delhi (except in the case of SC/ST applicants) and copies of relevant certificates must reach the General Manager (Personnel), National Textile Corporation Ltd., 8th Floor, Surya Kiran Building, 19, Kasturba Gandhi Marg, New Delhi-110 001 within 21 days from the date of publication of this advertisement.

Candidates serving in Government/Public Sector Undertakings should apply through proper channel. Candidates called for interview will be paid single first class rail fare both ways by shortest route.

The reservation orders in respect of SC/ST candidates are applicable and the number of posts to be reserved for SC/ST as the case may be, will be decided depending on the number of candidates to be selected.

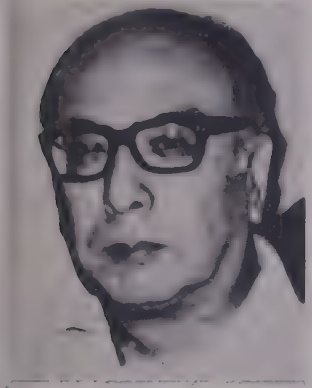
The conditions of general standard and experience are relaxable at the discretion of the competent authority, if at any stage of selection, the competent authority is of the opinion that the required number of candidates belonging to SC/ST communities with the stipulated general standard and experience are not likely to be available.

Those drawing emoluments less than Rs. 4000/- p.m. or employed in a pay scale lower than Rs. 1500-2000 (pre-revised Central Govt. scale) need not apply. Also those who applied in response to our earlier advertisement need not apply.

ANY CANVASSING FOR THE ABOVE POSITION WOULD LEAD TO DISQUALIFICATION.

The pressures of federalism

N.J. NANPORIA



Any federal structure is bound to generate a tension of sorts between its Centre and its constituent parts, but it also usually acquires the experience to cope with it. The one is closely related to the other. Yet this is precisely what the Indian system has been denied. Non-Congress administrations in the states became a force to be reckoned with only in 1967 after which, though the reality of the problem was recognised, little was done to solve it. One reason is that, requiring a basis on which to work, the constituent assembly adopted the framework of the Government of India Act of 1935, the bias of which is distinctly unitary. The British, for obvious reasons, wanted a strong Centre and at the psychological level this had an equally obvious appeal to a newly independent country. This was reinforced by the trauma of partition and the riots that shook the nation. No kind of special pleading was required to underline the virtues of a unitary system.

But lacking the experience early on to reconcile a strong Centre with the legitimate interests of the states, both the ruling party and the opposition fell into the confrontationist trap. To this can be traced the second reason for the failure of Centre-state relations. This is the assumption shared by all the parties but most evident in the ruling one, that there is an unwritten political obligation to try and control as many states as possible. Given the normal appetite for political power, there is, nevertheless, in a federal system, a point beyond which the competitive element must give way to an acceptance of the situation as it is. An inability to recognise that point explains why such bodies as the National Development Council (NDC) have been robbed of the dynamism they might otherwise have had in the federal context.

PREDETERMINED ATTITUDES

Inevitably, at the recent NDC meeting, the Centre and the states relapsed, as they have ritualistically done over the years, into predetermined attitudes, with the Centre admonishing the states and the states responding with familiar grievances of their own. Not that the grievances and admonition were misplaced or had no substance. But interminable arguments over estate duty masquerading as wealth tax, overdraft facilities, small savings policy, the terms of reference of the Ninth Finance Commission, and the failure to ensure a reasonable balance between developmental and regulatory responsibilities on the one side and resource-yielding powers on the other cannot be expected to lead to constructive results if the perspective is wrong. For the entire point of a federal system is that it not only allows for but accepts as normal a situation in which in some or many states the party in power is not the same as the one at the Centre.

Yet, such is the psychology that has been inherited from the 1935 Act and the circumstances in which Independence was achieved that, as the Centre sees it, a state governed by the opposition is an irritant or an abnormality or a malformation or a challenge or an aberration that must be got rid of as quickly as possible. Under the letter and spirit of the Constitution, a state under non-Centre rule has a place in the federation but psychologically it remains suspect and its legitimacy is constantly under unspoken doubt. The right, of course, of any party, including the one at the Centre, to try and enlarge the area of its dominance is undisputed. That is a part of the political game. But when an opposition-dominated state is regarded as an anomaly, the impulse to remove the party in power is liable to overcome the constitutional obligation to accept it as the natural outcome of the federal process.

It is difficult to see that any rational economic or financial Centre-state relationship is possible when its political underpinning is so much at fault. Another point is that, whereas the unitary bias of the 1935 Act and the Indian Constitution has an undeniable political logic, the federal concept suffers if the same bias is reflected in the conduct of financial relations and developmental affairs. Yet, not only is there such a reflection, the one is subordinated to the other. It would be too demanding and unreasonable to insist on a complete divorce of the financial from the political. But an obligation to try and achieve as great a separation as possible is implicit in a federal arrangement. When the Centre controls the financing institutions, determines the location of industries and dominates the finance as well as the planning commissions, and this is augmented by the psychology that derives from the 1935 Act, the manipulation of financial powers for political purposes becomes irresistible.

There is no reason to suppose that the Congress alone suffers from this complex. It is the more insidious in that it permeates the entire system. It is a case of a federal structure burdened by an outlook with which it is ill-matched.

PARTISAN ELEMENT

Few things can be more certain than the fact that an increasing number of states are liable, in the years ahead, to be governed by the opposition; and unless Centre-state relations are intelligently restructured and are infused with a genuinely federal spirit by the states as well as the Centre, tensions are likely to get out of hand.

The appointment of the Sarkaria Commission and its report are a very timely acknowledgement that we cannot afford any further loss of time before corrective steps are taken. If the centrist trend in the Sarkaria Committee's recommendations is unmistakable and represents a continuity from the 1935 Act, that is something to which there can be no strong objection. There is no reason, any more than there was when the constituent assembly was convened, to suppose that India can afford something less than a strong Centre equipped with reserve powers of intervention, despite the possibility or even the probability of misuse.

The spectacle of what has happened or is happening in many states is reason enough for an insurance which only the Centre can guarantee. But this is not the same thing as financial centrism. A judicious mix of political centrism and financial flexibility is what is wanted. Whether the Sarkaria Committee's recommendations allow for this is arguable, for this is not properly a subject for a commission of inquiry but for a commission of original thinking on a fresh basis which accepts the unitary bias of the 1935 Act but rejects or modifies it for the task of national development.

The prime minister has said that economics "cannot be separated from politics but should be separated from politicking," on which the only comment is that the separation can be far greater than it has been and that economic politicking is exactly what has been happening since 1950 when national planning was born.

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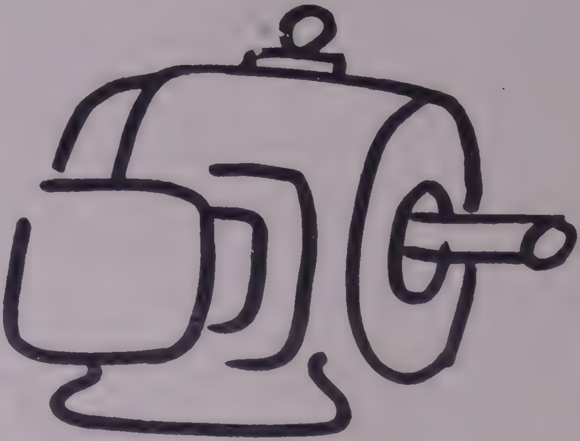

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High-flying plans

For the busy executive who is fed up with city traffic, help's flying in. The Madras-based Naras Aviation Pvt. Ltd., which already has a manufacturing unit in the Madras Export Processing Zone (MEPZ), has applied for a licence to manufacture helicopters for the Indian market. Says N. Narayanan (45), president of this Indo-US joint venture: "The application is being processed now. We hope that the government of India will approve it."

Ready for take-off ?

Narayanan is not putting his faith in the application alone. He has brought a helicopter from the US (complete with an experienced pilot), manufactured at his Miami, Florida-based unit, Naras Avionics Inc. (sales: approximately $3 million). The helicopter is being taken to various cities including Madras, Hyderabad and, of course, Delhi. Hopes Narayanan: "Perhaps even the prime minister may witness a demonstration at Delhi."

Narayanan's interest in getting an early clearance is understandable. According to him, there is sufficient demand within India itself for such an aircraft. The Madras police department, for instance, was quite impressed with the five-seat model (cost: Rs.25 lakhs), after a teargas shell firing demonstration. "Doordarshan too has indicated that it is interested," claims Narayanan. That apart, a few private organisations have responded favourably.

Nor is this interest for the world's only piston-type five-seat helicopter (Naras also makes two-seat models costing about Rs.10 lakhs) restricted only to India. A number of other countries have shown keen interest. "Thailand has already placed an order for one helicopter while Italy is processing the relevant papers to get the necessary approvals. Malaysia is interested in this on a counter-trade basis; we're trying to arrange this through the government of India," reveals Narayanan.

Bilateral agreements. Naras is also in the process of negotiating a bilateral agreement between India and the US whereby aircraft made in India will be acceptable in the US. Naras will be bringing over US Federal Aviation Authority officials to assist them in this regard.

This increasing interest in the products of Naras Aviation implies that Narayanan's original projections of investment required for his operations in India will have to be revised upward. The original figure of $1 million (over Rs.1.3 crores) will have to be enhanced by another $800,000 or so. Production capacity too, will have to be increased from the 60 aircraft per annum projected, to 120. Should he get a licence to manufacture helicopters for the Indian market, Narayanan plans to set up a separate unit in Madras since the MEPZ unit can sell only 25% of its production locally.

The first aircraft should roll out by the end of this year. According to Narayanan, the indigenous content will be about 70% (by value). "Except for the engine transmission, everything else will be made here," he says. "In five years, we hope it will be 100% indigenous." In the initial stage, Naras will manufacture two models with seating capacities of two and five.

According to Narayanan, a former instrument technician with the Indian Air Force, the unit should make some profits in "a couple of years." Considering that Naras Aviation Inc. in the US has been struggling to keep afloat because of competition from larger business rivals, Narayanan's optimism is commendable, if nothing else. Perhaps it will be a while before Naras Aviation really takes off.

CHANDU NAIR IN MADRAS

Insulating success

When S.K. Sarkar (60), a Calcutta-based technocrat, decided to spread his wings, one objective was clear: to get out of his home state of West Bengal. "We needed much better infrastructural facilities. Also, it is nice to be closer to the government," he admits candidly. So it was to Sahibabad, one of the booming industrial townships that ring the capital, that he chose to move. The sun, it would appear, does seem to be setting in the east.

The location may be new, but Sarkar, a trained engineer, is sticking to the knitting. "Our new plant, which has just commenced production, manufactures a whole range of insulating materials under licence from General Electric (GE) of the US. I think this is a first," says Sarkar, who seems rather proud of his new baby. If nothing else, the presence of John Gunther Dean, the US ambassador to India, Gary Bivona, president of the Switzerland-based International Management Institute and J.E. Shackford, GE's chief executive, at the opening of the new plant in mid-March, signalled the importance of the occasion.

It was in the early seventies that Rotomac Electricals Pvt. Ltd., as Sarkar styled his entrepreneurial venture, was set up in central Calcutta. "I had worked in various units like Reyrolle in the UK and Martin Burn and GEC here. But after these long stints in the engineering industry, I chose to go it alone," he explains.

Modest beginning. Rotomac initially took on the task of rewinding and repairing electric traction motors for the railways. It was one of the few companies to be able to do so outside the railway workshops. From this modest beginning, the unit went on to fabricate spares for imported traction motors and also developed relays, coils and resistor units for motor manufacturers. "We have done well for ourselves — our turnover was around Rs.8 crores in the last financial year," says Sarkar, with obvious satisfaction.

From motors to insulating materials is only a small conceptual leap, as also the jump from trading to production. But only a few have managed it. Sarkar is clearly one of those. "Our first break came in 1982 when we were appointed authorised sales agents for GE's insulating materials division in India. By 1986, we had convinced them that they should part with their technology to us," says Sarkar. What is startling is that, if Sarkar is to be believed, the prime motivation for setting up a manufacturing base was not the growing domestic market, but the sheer size of the export market. In fact, apart from the Rs.1.75 crore plant set up already, another unit twice its size is coming up at the 100% export zone at Noida, near Delhi.

"We mean it. For us, exports are the only way to be economically viable. And there are at least three factors that have influenced our decision," explains Sarkar. First, the vast quantities of mica found on the subcontinent mean a fairly cheap source of raw material for the manufacture of insulating materials. Secondly, contrary to popular opinion, the production process, specially of varnishes, is highly labour intensive. Finally, transportation and insurance costs often work out to as much as 85% to 105% of production costs in the case of insulation materials. "On an item-to-item basis, I can prove to you that at our volumes, our products will be 60% cheaper than imports from anywhere else," swears Sarkar. With the manufacture of electrical machinery growing apace in the South East Asian countries, it is possible that Rotomac might just pull it off.

Sarkar: proud of his new baby

Advanced technology. In terms of technology, the GE label is well-known. "Look, there is nobody in the world except perhaps Hitachi of Japan which has the kind of range that GE has. And for a lumpsum payment of $360,000 and 5% royalty, we have got hold of it," claims Sarkar. As an examination of GE's product catalogue shows, most of the insulating materials are of a generation unknown in this country to date. "The market awareness is there. It is just that with duties ranging between 140% and 160%, users have not experimented with new products. We will naturally develop the market too, as we go along," admits Sarkar. With nearly 90% of the indigenous requirements being imported currently, Rotomac does not have much to worry about.

In the game of nichemanship that is currently going on, Rotomac has found its place in the sun. The only question is: will it fall prey to the lure of the domestic market like so many others have done? In the long run, only exports can bring home the bacon.

ANAND P. RAMAN IN NEW DELHI

A ropeway to prosperity

Usually, one unique selling proposition (USP) should be enough to launch anything. In the bear-battered new issues market, perhaps it would be foolhardy to make a public offering without at least two USPs. Usha Beltron Ltd., the latest entrant into the field of telecommunications, believes it has them: one, a healthy parentage. And two, the first jelly-filled cables project in India in which foreign collaborators have an equity participation of 25.1%. How much these USPs are worth will be known on 20th April 1988, when Usha Beltron's Rs. 1.78 crore equity issue opens for public subscription.

Promoted by the Calcutta-based Usha Martin Industries Ltd. (UMI) and the Bihar State Electronics Development Corporation Ltd. (BSEDC), Usha Beltron certainly has the backing of promoters with a decent track record. The UMI group has four profitable units in its fold, apart from the flagship company itself: Usha Alloys & Steels Ltd., Usha Breco Ltd., Usha Ismal Ltd. and Bihar Alloy Steels Ltd. The last named was an ailing unit till UMI took it over and turned it into a profit-making concern in the very first year. B.K. Jhawar (53), chairman of the UMI group (estimated turnover: Rs. 225 crores in 1987) sees the Usha Beltron venture as a promising area of diversification for his group whose traditional product lines include wire ropes, cables, chains, hawsers, etc.

"We're entering a new era," says Jhawar. And given the increasing demand for jelly-filled cables from the department of telecommunications (DOT), the Mahanagar Telephone Nigam Ltd. (MTNL) and other sectors such as the rail-

Jhawar: confident and optimistic

ways and defence, Usha Beltron reckons it has a ready market. Recent estimates put the demand for 1989-90 at 138 lakh conductor km (ckm) of jelly-filled cables. This is likely to rise by 60 lakh ckm with the implementation of MTNL's plan to replace old cables in Bombay and Delhi. Compared to this, the supply of jelly-filled cables is a meagre 65 lakh ckm.

Heavyweight collaborators. To help Usha Beltron tap this market, Jhawar has roped in a heavyweight financial and technical collaborator from abroad: the West Germany-based AEG Kabel group, a world leader in jelly-filled cables. "We are lucky to have partners like AEG. AEG is as excited about the venture as we are," claims Jhawar, not without reason. Apart from technical support, AEG Kabel is also participating in Usha Beltron's equity to the extent of 15.1% (Rs. 107.20 lakhs). Besides, the venture has the blessings of DEG, a West German bank which promotes German investment in joint ventures abroad. Apart from providing a term loan of DM 2.5 million (Rs. 1.93 crores), which is repayable over a period of 10 years, DEG is subscribing to 10% (Rs. 71 lakhs) of Usha Beltron's equity.

The plant, located in the Tatisilwai district of Ranchi in Bihar, has an installed capacity to manufacture 625,000 ckm per annum of jelly-filled cables. The estimated project cost of Rs. 20.41 crores is being financed partly by the issue of equity capital. Of this, 25.1% will be subscribed by AEG Kabel and DEG. UMI will take up another block of Rs. 169.70 lakhs and the BSEDC Rs. 184.60 lakhs. The remaining portion of the equity — 17,75,000 shares of Rs. 10 each for cash at par — will be offered to the Indian public on 20th April.

"I am confident that with our excellent track record and efficient teamwork, we will show results within 12 months," says Jhawar. Commercial production is scheduled to commence by end-May 1988, exactly one year after the foundation stone was laid. "We will also attain full capacity in 1989-90 and achieve a turnover of Rs. 32 crores by that year," concludes Jhawar on an optimistic note.

K. MADHAVADAS IN BOMBAY

End of a long innings

On 31st March, *numero uno* tea broker and Calcutta socialite Dipak Roy (55) hung up his gloves as chairman and managing director of J.Thomas & Co. Pvt. Ltd., the oldest surviving (established: 1861) tea auction company in the world, and acknowledgedly the largest. "I have been fortunate enough to have had a career exceptionally rich in experience," says Roy.

Which is scarcely surprising, given that Roy has been the boss at J.Thomas for 21 long years. He created history of sorts in the tea industry in 1967 by reaching the prestigious top slot as one of the few surviving *pucca* companies in the Indian milieu, at the tender age of 34. The course of the last couple of decades has seen Roy grow in stature. He has been an active participant in policy making in the tea industry as a member of the Tea Board (for four terms) and has sat on innumerable committees, including the high-powered one now busy drawing up a long-term strategic plan for the tea industry.

Naturally, Roy has been a ringside spectator to the substantive changes that have occurred in the tea sector since the sixties. "The dominance of sterling interests is gone for good, and one has seen with satisfaction how Indian managements have actually brought about a distinct improvement in tea garden management techniques. Also, new auction centres have emerged and flourished at Guwahati, Coonoor, Siliguri and Coimbatore. I am happy to say that J.Thomas did its bit to help these centres blossom. Incidentally, it is a scarcely known fact that in 1987, Guwahati (147 million kg) actually beat Calcutta (132 million kg) to the No.1 position among Indian tea auction centres. Along with new centres, new brokers have flourished too. Today, there are a dozen brokers at Siliguri and at least 10 at Guwahati. We at J.Thomas welcome the fact that the tea sector has been expanding to accommodate more and more participants," he says.

Safeguarding brokers' interests. Roy adds that since he will now have more time on his hands, he would like to strive towards creating a representative platform for the

Roy: a career rich in experience

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tea broking community. "Growers, traders, exporters and packeteers all have their separate representative organisations. Only the brokers do not," he points out. According to him, the only asset which brokers have is their credibility and reputation for neutrality — the safeguarding of which ought to be institutionalised.

The chances are that despite his retirement from J.Thomas, Roy's high profile in the tea industry will remain intact. And not the least because the Union commerce ministry has done Roy the signal honour (which is without precedent) of appointing him as a permanent invitee on the Tea Board with specific authority to sit in on all its committees, on an unspecified, open-ended term.

The end of Roy's long innings at J.Thomas therefore, could well mark the launch of a new one on a far larger canvas.

SUJOY GUPTA IN CALCUTTA

A product that jells

Burmah-Shell may have been sent packing long ago, but the century-old Indian connection of this British multinational group is still alive and well. If proof is required, a Bangalore-based venture styled Indtech Speciality Chemicals Ltd. (ISCL) provides it.

Inaugurated on 26th March in the presence of Karnataka chief minister Ramkrishna Hegde, Indtech is a joint venture between Indrol Lubricants & Specialities Ltd. (a Burmah group company) and the Karnataka State Industrial Investment & Development Corporation (KSIIDC). As if to underscore the group's continued stake in India, the man cutting the ribbon that day was Dr. L.M. Urquhart, Burmah Oil plc's group managing director. Talking to newsmen in Bombay three days before the plant was officially inaugurated, Urquhart summed up Burmah Oil's interest thus: "India is a country where any multinational worth its salt must strive to retain a foothold." Indrol is the Burmah group's foothold in India. And Indtech is one way of giving that foothold a more solid grip.

Explaining how the Indtech project came to be set up, Dr. B.K. Barman, chief executive and managing director of Indrol says: "The initiative for the project was taken by the KSIIDC. They were keen on setting up a plant to make cable jelly and were looking for collaborators. We were invited to go to Karnataka, and we did."

KSIIDC's keenness is not surprising, since it has already decided to set up a plant to produce jelly-filled cables in Mysore. Naturally, it was eager to have a jelly supplier in the neighbourhood.

INDTECH
SPECIALITY CHEMICALS LIMITED

The Indtech plant. Inset: Urquhart

Powerful argument. From Indrol's point of view, the Indtech project seemed attractive for three reasons. First, the company had access to jelly-manufacturing technology within the Burmah Oil fraternity. Dussel Campbell Ltd., UK, a unit of Burmah Speciality Chemicals and a major supplier of cable-filling compounds has been roped in to provide knowhow to the Bangalore plant. Second, cable jellies are sophisticated formulations that have to be made to conform to the stringent specifications laid down by the government's department of telecommunications. Since there are few domestic producers, imports are the primary source of supply. Indrol assumed—correctly—that the Union government would welcome with open arms anyone who could launch an "import-substitution" project.

But the most powerful argument for the venture was the rapidly growing market. Several companies have started — or are about to start — manufacturing jelly-filled cables in collaboration with international giants such as Ericsson, Essex, STC (Standard Telephone Co. of UK, AEG Kabel and Ceat-Cavi The public sector Hindustan Cables, for example, is collaborating with STC to build up a substantial capacity for jelly-filled cables and is setting up plants at Hyderabad and Rupnarayanpur.

Such cable projects spell good business for Indtech. The demand for cable jelly at present is about 6,000 tonnes per annum, but this is bound to increase in the years to come. With an installed capacity of 5,000 tonnes, Indtech should be able to grab a biggish chunk of this market. "We plan to start with 2,000 tonnes," S.R. Bhatnagar, director of Indtech, told *BusinessWorld*. "Gradually, we shall increase our output to full capacity." In the immediate future, therefore, Indtech may be able to corner at least 30% of the market, and in the medium term, it may become a virtual monopoly. As Dr. Barman smugly remarked, "We have no competitors."

Cocksure though it may sound, Barman's observation is partly true. The only competitor Indtech confronts is Servita Chemicals, a small manufacturing unit. But Indtech isn't losing any sleep over the Servita threat. "Servita's products will be more expensive than ours," says Bhatnagar confidently.

As more cable plants go on stream, Indtech may in fact find new competition developing on the jellies front as well. But, for the present, there is no threat to its topdog position.

MUKUL PANDYA IN BOMBAY

Savings growth to decline

H.P. RANINA

Despite the fact that the capital market is going through its worst crisis and new issues are failing regularly, no meaningful benefit has been given in this year's budget proposals to encourage the diversion of investible resources to the capital market.

A few measures like making dividends totally tax-free, increasing the limit under s.80CC and treating shares as a specified asset under s.54E would certainly have had the desired effect. All these steps would have involved a revenue loss of only Rs.100 crores, but would have brought about a sea-change in the investment climate. They would have had the effect of channelising the savings of the rural rich for productive purposes and attracting foreign exchange to the country in a big way.

The few measures which have been proposed in this year's budget are so insignificant that they have had the effect of further dampening the capital market. Ultimately, the performance of companies will alone help in boosting the market sentiment but, for that to happen, the investing community will have to wait for another nine to 10 months. Some of the amendments proposed by the Finance Bill 1988 are discussed below for whatever they are worth.

The Bill seeks to amend s.80CC of the Income Tax Act to extend the benefit of deduction to investment in the units of any mutual fund set up by public sector banks or other financial institutions, provided that such funds subscribe only to "eligible issue of capital" as defined in sub-section (3) of s.80CC.

The Bill further seeks to amend s.80L of the Income Tax Act to provide for deduction in respect of interest on deposits under Post Office (Monthly Income Account) Rule, 1987, within the existing ceiling of Rs.7,000.

EXISTING DEDUCTION

This amendment will take effect from 1st April, 1989 and will, accordingly, apply to the assessment year 1989-90 and subsequent years. Under the existing provisions of s.80CC of the Income Tax Act, deduction is allowed to an individual, a Hindu undivided family and certain categories of associations of persons or bodies of individuals, in respect of deposits made under the National Savings Scheme. The amount that qualifies for deduction is limited to Rs.20,000 a year. The deduction is admissible equal to 50% of the amount deposited.

If withdrawals are made under this scheme, an amount equal to 50% of the sum withdrawn, representing the deposit and interest accruing thereon, is deemed to be the income of the taxpayer for the previous year in which such withdrawal is made. The interest on the deposits made under this scheme is taxable in the year of withdrawal and to the extent of 50% thereof.

With a view to providing further incentives for savings, it is proposed to amend this section to increase the deduction to 100% and the maximum amount which will qualify for such deduction is being enhanced to Rs.30,000. As a social security measure, it is also proposed to extend the scope of this section to the deferred annuity plans of the Life Insurance Corporation as prescribed by the Central government. However, the overall limit of investment for both deductions has been fixed at Rs.30,000.

With a view to raising additional resources to provide relief to drought-affected farmers and persons in rural areas, a new bond titled the "9% Relief Bond, 1987" has been issued, which has a maturity period of five years and carries a simple interest of 9% per annum. It is proposed to exempt the interest on the 9% Relief Bond, 1987, from income tax without any ceiling.

The relief bonds will also be exempt from wealth tax without any ceiling. The exemption will be allowed only to the initial subscriber, or to a person, being an individual or Hindu undivided family, if the Relief Bond is held for at least six months on the valuation date. The proposed amendment will take effect from 1st April 1988 and will, accordingly, apply in relation to the assessment year 1988-89 and subsequent years.

The reason behind the revival of the levy of wealth tax on companies was to curb the tendency of avoidance of personal wealth tax liability by forming closely-held companies and transferring unproductive assets like real estate and jewellery to such companies. Under the existing provisions, wealth tax is leviable even in cases where the assets specified in the section are held as stock-in-trade or are used for industrial purposes.

WEALTH TAX EXEMPTIONS

With a view to removing this unintended hardship and provide incentive for growth and modernisation, it is proposed to amend this section to provide that the following assets shall not form part of the net wealth for the levy of wealth tax under the section:

(i) Precious metals used as raw materials in industrial production;

(ii) Land,other than agricultural land proposed to be utilised for industrial purposes, for a period of two years from the date of its acquisition;

(iii) Cinema houses;

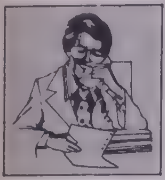
(iv) Gold, silver, platinum or other precious metals, precious and semi-precious stones and utensils made of gold, silver, platinum, buildings and motor cars, if held as stock-in-trade. In the case of gold, silver, platinum or other metals, precious or semi-precious stones and buildings and land appurtenant thereto, on the question as to whether these items are held as investment or stock-in-trade, guidelines by way of general or specific order will be issued by the Board. In issuing such guidelines, the Board will, *inter alia*, take into account the ratio of the yearly turnover to the average value of stock of such assets held from time to time during the year and other relevant factors.

(v) Motorcars registered as taxis and used for the business of running of motorcars on hire.

For this purpose, "relative" shall have the same meaning as assigned to it in clause (b) of Explanation (1) to s.80F of the Income Tax Act. This amendment will take effect from 1st April 1989, and will, accordingly, apply in relation to the assessment year 1989-90 and subsequent years.

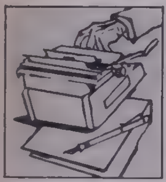
In conclusion, it has to be pointed out that these amendments proposed by the Finance Bill 1988 will not make even an iota of difference to the investment climate in India and the downward trend in savings which has been perceptible during the last few months will continue.

Pick of the jobs



"The traditional method of advertising for senior managerial positions tends to attract a class of executives frustrated with their jobs and anxious for a change. The *crème de la creme* of managers may not even look at the advertisements and this is why modern methods of head-hunting prove not only more efficient but also more cost-effective," observes Gulab Mirchandani, president of the Bombay-based Tristar Consultants, the only Indian executive recruitment firm which has a foreign collaboration — with Boyden International Inc., New York.

ENGINEER — TEXTILE MAINTENANCE



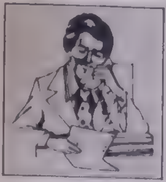
Tristar Consultants is gunning for a textile maintenance engineer for a Mauritius-based public limited company engaged in the manufacture of textiles.

To fill this slot, aspirants should be engineering graduates with seven to 10 years' working experience in a similar capacity and should be above 35 years of age. The appointee will assist the management in formulating and implementing textile maintenance policies and providing the complete maintenance service required by a composite textile mill.

The remuneration is attractive and negotiable.

Enquiries to Tristar Consultants, 616, Maker Chambers V, Nariman Point, Bombay-400021. Tel: 233905, 240377.

MANAGER — ADMINISTRATION & PUBLIC RELATIONS



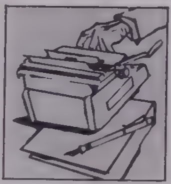
Tristar Consultants is in the hunt for a manager (administration and public relations) for the company of a respected group based in Lagos, which trades in food products, pharmaceuticals, chemicals, paper and electronic appliances.

Aspirants should be science graduates, preferably with an armed forces background and should be between 35-40 years of age. They should have an excellent track record with at least 10 years' experience, of which five years should have been spent in a similar job.

The appointee's duties will include liaison with government ministries and departments such as immigration, internal affairs, customs, etc.; handling the personnel functions relating to Nigerian managers; and overseeing the day-to-day management (housekeeping, security, maintenance, etc.) of the group.

For the right candidate, the compensation package will be extremely attractive and include an air-conditioned, furnished flat and a chauffeur-driven car.

LEGAL MANAGER

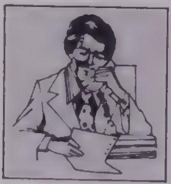


A multinational with annual sales of Rs.150 crores has enlisted the services of Tristar Consultants to launch a search for a legal manager to be based at their head office in Bangalore.

The ideal candidate would be between 32 to 40 years of age, have a degree in law, and be a qualified company secretary. He would have at least six years' experience in a legal firm of repute or relevant experience in a consumer industry.

The right candidate can name his own salary. Accommodation will also be provided.

MANAGER — MARKETING



Personnel Search Services is on the lookout for a high-flying marketing manager for a well-known company in Bombay with an excellent track record in the manufacture of quality automotive products. He will have to assume overall responsibility for the marketing functions, which have assumed significant importance in an increasingly competitive market.

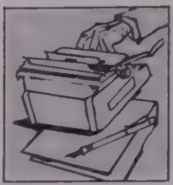
The appointee will be expected to initially concentrate on market research, demand forecasting and the formulation of marketing strategies.

For this pricey portfolio, aspirants should preferably be management graduates, around 40 years of age, with an excellent track record in the marketing of consumer durables. Experience in the marketing of automotive products will be a plus point.

An attractive compensation package is being offered.

Enquiries to Personnel Search Services, 3rd Floor, Sambava Chambers, Pherozshah Mehta Road, Bombay-400001. Tel: 2862660, 295963.

DEPUTY GENERAL MANAGER — INDUSTRIAL RELATIONS



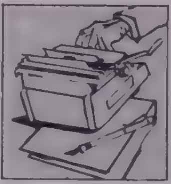
A large Delhi-based organisation, a subsidiary of a highly reputed group which has multiple units and an employee strength of over 14,000, has retained Personnel Search Services to locate a deputy general manager to assume overall responsibility for the industrial relations functions at the corporate level.

Ideally, the right candidate would be between 38-45 years of age. He should be strong conceptually, progressive and have tremendous interpersonal capabilities. The selected candidate can aspire for the position of general manager (personnel) within three-four years.

The appointee will be expected to take a pro-active approach in all industrial relations matters, confer with the units' personnel heads on a regular basis and deal with the concerned government departments whenever required.

The salary offered is attractive, and perquisites include residential accommodation and a company-maintained car.

CHIEF EXECUTIVE — PHARMACEUTICALS



Personnel Search Services is on the trail of a high-powered chief executive for a well-known business house in Bombay. The company is currently engaged in setting up a joint venture in south India with a foreign collaborator, in the field of pharmaceuticals.

For this key portfolio, aspirants should be management graduates or chartered accountants, around 40 years of age, with at least 10 years' experience in the pharmaceutical industry. They should preferably have had in-depth exposure to more than one functional area. A basic degree in pharmacy would be desirable, though not essential.

Initially, the job entails responsibility for the implementation of the project and, thereafter, for the profitable operation of the company. The incumbent, who will be based in the south, will be expected to provide leadership and coordinate and control the technical, commercial and administrative functions of the company.

The remuneration and perquisites offered are attractive and higher expectations will not be a limiting factor.

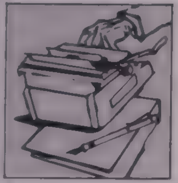
WORKS MANAGER — PHARMACEUTICALS

For the same company, Personnel Search Services is scouting around for a works manager (pharmaceuticals) who will be based in the south. He should be capable of assuming overall charge of production, quality control, factory administration, industrial relations and miscellaneous commercial functions.

The right candidate would be a graduate in either chemical/biochemical engineering, or pharmacy/fermentation technology,with 10-15 years' experience in the field of pharmaceutical production.

The salary and perquisites offered are attractive.

GENERAL MANAGER — FINANCE



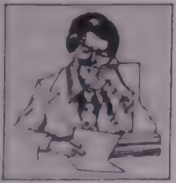
A reputed Rs.50 crore multinational company in Bombay has retained Personnel Search Services to track down a general manager (finance) in the area of high-tech data processing and automation.

To fit the bill, aspirants should be chartered accountants with extensive experience in the above areas, and preferably be around 35 years of age. They should possess the personality traits to provide a viable alternative to the post of vice president (finance).

The appointee will be responsible for the entire gamut of corporate financial functions such as financial management and cost accounting, MIS, working capital needs, institutional and trade finance, internal control systems, budgeting and project planning.

Salary and perquisites will match the best in the industry and will include residential accommodation and a company-maintained car.

CHIEF EXECUTIVE — PHARMACEUTICALS



Career Placement & Marketing Services is gunning for a top-flight chief executive for the pharmaceuticals division of a large group of companies which is located in Tamil Nadu.

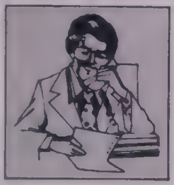
Aspirants should be postgraduates in business management or chartered accountants, around 40 years of age. They should have at least 10 years' experience, preferably in the pharmaceuticals industry.

The appointee will assume total responsibility for the profitable operations of the company, including the implementation of the project. He will coordinate the whole gamut of technical, commercial and administrative functions and provide the necessary leadership. Initially, he will be posted at Delhi and, thereafter, in Tamil Nadu.

The compensation package will be in the region of Rs.7,500 per month and perquisites will be lavish, including residential accommodation and a car.

Enquiries to Career Placement & Marketing Services, P.B.No. 8105, Bombay-51.

VICE PRESIDENT — PERSONNEL



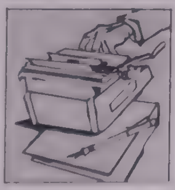
A reputed consumer products company in Bombay, part of a large group of companies with annual sales of around Rs.500 crores, has retained Career Placement & Marketing Services to zero in on a vice president (personnel).

Those taking a shot at this top spot should be postgraduates in personnel management from a recognised institute, around 45 years of age, with about 20 years' experience in the personnel department.

The appointee will be responsible for organisational development and the effective management of human resources and industrial relations, manpower planning, designing and implementing appropriate appraisal systems for identifying training and development needs, recruitment, etc.

The salary indicator is around Rs.65,000 per annum, which is negotiable and perquisites are liberal, including a car.

GENERAL MANAGER — CLEARING & FORWARDING



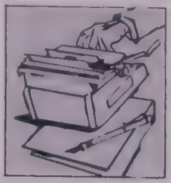
Career Placement & Marketing Services has also trained its guns on a top-notch general manager for a subsidiary of a leading engineering company in Bombay, engaged in providing clearing and forwarding services.

To be eligible for consideration, aspirants should be postgraduates in business management, between 35 to 45 years of age, with at least 10 years' experience in clearing and forwarding with large export/import houses or with the export/import departments of reputed companies.

The appointee will assume overall responsibility for developing the business and the profitability of the company. He will report directly to the board of directors.

The compensation package will be in the region of Rs.6,000 per month and the perquisites will be lavish, including residential accommodation and a car.

OFFICER — MERCHANT BANKING



A leading foreign bank with headquarters at Bombay has enlisted the services of The Concept to track down an officer (merchant banking).

For this middle management position, aspirants should be in the age group of around 30, with experience ranging from two to six years in the area of institutional banking with stress on functional areas like Eurocurrency (loans and liability management), documentation, current regulations and acquisitions,with direct responsibility for marketing the financial services. Sound knowledge of rupee loans is a must. Preference will be given to local candidates and those who are working with financial consultancy organisations, etc.

Remuneration and perquisites will be liberal and are negotiable.

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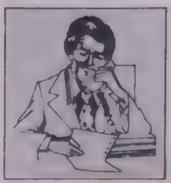
GENERAL MANAGERS



The Concept is also gunning for five high calibre general managers for a large professionally managed company which is engaged in the manufacture of television and audio sets, washing machines, flyback transformers and tuners. The company has annual sales of Rs.100 crores.

To fit this slot, aspirants should be engineers in their forties with a background in manufacturing operations.

The appointees will report directly to the executive director of the company and will be based in Bombay.

The compensation package will be a hefty Rs.2 lakhs per annum and perquisites will include a furnished bungalow and a company-maintained car

Indra Gidwani

Lodha: fiddler on the roof

Less than two years ago, Parasmal Lodha (32) was a nobody. Beyond the limited confines of the real estate trade in Calcutta, the larger corporate world of commerce and industry scarcely knew of him. Or, for that matter, even cared for the likes of him. Today, the parvenu real estate developer of yesteryear confidently rubs shoulders with the Birlas and Goenkas of the business world, even as he jets weekly between Calcutta, Bombay and Delhi and attends the board meetings which flow from his clutch of company directorships.

How did this amazing transformation actually happen? After all, Indian businessmen are a conservative lot. One gains acceptance only after a couple of generations have done the spadework with due diligence; recognition usually follows later still. But even so, Lodha seems to have broken the rules.

As far as antecedents go, as one corporate monitor wryly puts it, Lodha certainly has "a great deal to be modest about." Both his father and grandfather were moneylenders in the traditional mould, comfortable when perched crosslegged on the *gaddi* with their *dhotis* tucked conveniently under their knees. They were well-to-do by general Indian standards, but hardly by the standards of the well-heeled Marwari *bania* community to which they belonged. Clearly, the kind of "ambition made of sterner stuff" which successful compatriots (e.g. B.M. Khaitan) of their generation possessed, eluded the senior Lodhas.

NONDESCRIPT ENTRY

Armed with a bachelor's degree in commerce obtained from St. Xavier's College, Calcutta, the young Parasmal marked his entry into the hurly-burly of business in an entirely nondescript fashion. He set up shop as a real estate trader and property developer, increasing by one the fraternity of wheeler-dealers in this somewhat shadowy line of entrepreneurial activity whose salient feature is that an entrant does not need too much capital to get going. "I was entirely on my own, as indeed I still am," recalls Lodha.

It took some time — five years perhaps, or seven — but the time came when Lodha began to be acknowledged as the *numero uno* of his trade. Even his competitors say that he is blessed with the God-given power of gentle persuasion. In a hardheaded field where might is often right, and where landlords have to be bullied into capitulation or tenants blunderbussed into evacuation, it was like a shock tactic to present an unassuming, friendly — even likeable — personality instead. "Parasmal is a softspoken and charming chap, and he has honoured his commitments with us," vouches a Calcutta-based company director who entrusted the development of his downtown office building roof to Lodha.

It goes without saying, of course, that the unprepossessing Lodha's reputation as a man "who can get the job done" is due as much to the iron fist as to the velvet glove. Property projects handled by him have never been held up owing to delays in getting complicated municipal sanctions off the ground. But where Lodha is strikingly different is in his finesse: he keeps himself more than a step removed from the likes of municipality officials, for instance. If the latter's

Stephen Court: the upper storeys are a different story

palms are indeed greased to "facilitate" approvals, Lodha has no direct involvement. More likely than not, even the supplicant developer's firm will have had no identifying linkage with him, thanks to an interceding maze of investment companies in between.

With his reputation preceding him, Lodha's services began to be sought by owner-industrialists before long. (Incidentally, his 'flagship' concern is called Lodha Services Pvt. Ltd.) One of his major assignments — both in terms of logistics and profits — was to build two additional floors on the rooftop above Calcutta's Tobacco House, owned by the then G.P. Goenka group company National Tobacco Co. Ltd. He followed it up by "successful" jobs at Nicco House and Stephen Court on Park Street, the latter despite obstructive court cases. But, as the accompanying photograph illustrates, Lodha's handiwork is strictly functional and he is no respecter of architectural graces.

BIG BREAK

Lodha's big break came in October 1986, when he drew upon his not inconsiderable net worth to buy into the closely-held equity of the Peerless General Finance & Investment Co. Ltd., and earned his first heavyweight directorship. He himself chuckles, though, that the attendant financial risks were "tremendous." At that point in time, Peerless was skating on thin ice, being in business merely on the basis of a high court injunction. Had not the Supreme Court upheld Peerless' appeal in January 1987, Lodha's unspecified investment in India's largest non-banking finance company would have sunk without a trace.

But it turned out to be a case of fortune favouring the brave. In a matter of months thereafter, Lodha emerged as a man of obvious influence and power given that he now had access to and part-control over the mind-boggling sum of over Rs. 800 crores of wholly legitimate money — a rare enough phenomenon in contemporary Indian society (see Spotlight story "Peerless' mighty money muscle," *BW* October 12-25, 1987).

True, not all of it was untied. Yet there was enough in the kitty to go around handsomely. And an assortment of supplicants ranging from bank chairmen to industrialists were soon found knocking at Lodha's door. Some were prepared to pay a price. To wit, not all corporate monitors were surprised when the hitherto unfancied Lodha was invited by the conservative G.P. Birla to become a director of Orient Paper & Industries Ltd. (sales: Rs. 178.2 crores in the year ended 31st March 1987) in March last year.

Also in 1987, Lodha found himself in the unlikely role of a newspaper baron. It is an open secret in Calcutta's business circles that he had taken a substantial financial (albeit not an equity) stake in the Amrita Bazar Patrika group of publications, and that one or more of his nominees had been seconded to key fiduciary posts within the latter organisation. Suddenly, Parasmal Lodha's name gained currency in New Delhi's corridors of power too. Everyone was wondering as to who this upstart was, and how come he had risen close to the point of emerging as a fourth estate power point — a status which redoubtable industrialists like C.K. Birla and Dhirubhai Ambani have coveted in vain.

FAVRE-LEUBA

Tobacco House: aesthetics ignored

The empire struck back in the predictable form of massive income tax raids last October, followed by orchestrated allegations that "crores" worth of underhand dealings had been uncovered. Lodha says he has recently been served with the actual demand notices, which mention sums "only a minute fraction" of a crore. He is filing an appeal, he says, which if upheld should hopefully reduce the sums to "fractions of a fraction of a crore."

SECRET INGREDIENT

No real estate dealer can credibly maintain that his business is lily-white, and Lodha merely smiles when asked to respond to such a suggestion. Perhaps the secret ingredient of his current high profile in industry is that he has successfully raised what is best termed his "curiosity quotient": the world is kept guessing as to the real extent and reach of his influence — and his business empire.

There is a general feeling that his visible business interests are only the tip of a fathomless iceberg. For instance, no one is sure how many companies (e.g. Reyrolle Burn) are part-owned by Lodha. Or whether he has been only fronting for various parties in some of his several recent deals. There is even speculation that he has pulled out from both Amrita Bazar Patrika as well as Peerless — after all, runs the unsubstantiated argument, a trader will always sell when the price is right. (Even as we go to press, one learns that Lodha has resigned from the Peerless board.)

"Without the money muscle of Peerless, Parasmal is a big zero," scorns a Calcutta-based industrialist who has known Lodha in his humbler, pre-Peerless days. "Parasmalji has reached the pinnacle so early that his career is like a dream come true," gushes an admiring 25-year-old scion of an established industrial house who admits that he respects Lodha for his gutsy risk-taking characteristic.

On his part, Lodha denies that he aims to climb Mount Everest: "I have no fancy ambitions. I'm quite happy to be doing what I'm good at and what I enjoy." He confesses to being too self-conscious to flaunt a Mercedes (he drives around in a Premier 118NE) and although he patronises the Taj in New Delhi and the Oberoi in Bombay, his notion of the finer things of life does not include alcohol and non-vegetarian food. He does, though, have swank club memberships at the Tollygunge Club, the Royal Calcutta Golf Club, the Chambers and the Belvedere.

But whether he has sought the change or not, Parasmal Lodha has undoubtedly graduated in status from nobody to a somebody. The question is: does he have it in him to become a Somebody with a capital S?

Sujoy Gupta

Test case for privatisation

K. V. RAO

The Union government's move to sell the plant and other assets of Scooters India Ltd. (SIL) to Bajaj Auto may or may not be a step towards privatisation on the scale witnessed in Great Britain since 1979. But it has certainly helped generate a public debate on the subject.

What do we want to achieve through privatisation? The prime justification for privatisation is that it can serve as a means of improving the efficiency of enterprises. This apparently underlies the official initiative in respect of SIL. If SIL can be privatised and made to run efficiently and profitably, then the door to more extensive privatisation will be opened.

SIL, we must remember, was the first public sector enterprise to undertake privatisation and remains the only one to have done so. This was as far back as in 1975 when, as per a decision by the then Union industry minister, the late T.A. Pai, the company sold a part of its financial stake to the general public as equity shares. Going by this event, privatisation began in India four years earlier than it did in Britain. But unlike in Britain, this was an isolated instance in this country and was more an extension of the joint sector mechanism then sought to be promoted as an instrument of industrial policy, rather than the start of a phase of partial disinvestment of public sector equity. In retrospect, the sale of equity by SIL to the public in 1975 was an experiment which policy makers did not take seriously.

WELCOME MEASURE

Yet, that was a welcome measure of deregulation as it had tried to reverse an aspect of the 1973 industrial policy which was aimed at bringing the managements of the private sector under government control through public institutional holdings. The 1975 initiative in respect of SIL led to a public equity holding of 22.7% while the 1973 policy was aimed at pushing up the government holding to 51% in private sector enterprises where the institutional stake was considerable.

Insofar as privatisation constitutes a transfer of ownership, we must examine the different ways by which a company can be transferred. A public sector unit can be sold in its entirety to a private sector enterprise. The takeover of SIL by Bajaj Auto is an instance of such a transfer. The question naturally arises: on what terms should this transfer be made?

The exact details of the memorandum of understanding signed between Bajaj Auto and the government of India relating to the sale of SIL have not been made public thus far, but several news reports claim that Bajaj Auto has negotiated the purchase on the condition that it will take over SIL's losses only to the extent of its assets.

Bajaj Auto has reportedly insisted on paying for the assets at their depreciated or book value only, which means that it will pay Rs. 17.5 crores for the assets and accept liabilities totalling another Rs. 17.5 crores, i.e. an aggregate Rs. 35 crores. But more important than this is the condition wherein Bajaj will only accept that amount of SIL's losses which are equivalent to its assets.

What will happen to the balance of the losses? According to the reports doing the rounds, these losses, aggregating Rs. 92 crores, will be written off by the government. If the management of Bajaj Auto is going to take over only the assets of SIL, with the government agreeing to absorb all the accumulated losses of the latter, it amounts to a 'give away' — but this may be the only way to save the taxpayers' money and some of the employees' jobs.

SIL is grossly overstaffed. Against a licensed capacity of 7 lakh vehicles per annum, and a production of 4.6 lakh vehicles in 1986-87, Bajaj Auto employs only 5,000 people or one person for 140 scooters capacity and 90 scooters production. By contrast, SIL's figures are one person for every one scooter produced and 20 scooters capacity. If SIL is to be made viable at all, it will have to shed its excess workforce, which is inconceivable as long as it remains a public sector company.

LIBERAL COMPENSATION

The government has agreed to allow Bajaj Auto to trim the 3,000-odd workforce by nearly half. The compensation that is being offered is also quite liberal. According to reports, the workers and staff will get 45 days salary for every year of service.

The case against the "privatisation" of SIL, which is being argued, mainly by the company's employees, is that given proper management and the same concessions which are being offered to Bajaj Auto as part of the takeover package, the company can be made viable even if it remains in the public sector. For instance, it is argued that no technological collaboration was allowed for SIL, although such permissions were granted to private and joint sector projects quite liberally. With the sole exception of getting the Cento model technologically upgraded by Honda Motors of Japan on a one-time payment of Rs. 85 lakhs, no attempt has so far been made to modernise the company. SIL has also remained topless since April 1984 and, as a result, many of its managerial decisions have been questioned and held responsible for its poor financial performance.

> **"If the management of Bajaj Auto is going to take over only the assets of SIL, with the government agreeing to absorb all the accumulated losses of the latter, it amounts to a give away"**

Reviving the company will not only need fresh inputs of money, but new plant and machinery and a new product too. Even if the money can be found, it could take years before the plant is modernised and a new fuel-efficient and modern product is introduced. In all likelihood, this will require a new foreign collaboration and an altered equity structure. Few collaborators will be willing to part with product technology without an equity stake, and given SIL's eroded capital base, it is a moot question as to which foreign collaborator will be willing to tie up with it. Clearly, a new tie-up and a new product is a long shot for SIL and in all probability is unrealisable.

SIL's privatisation is a test case for managers in the private sector as well as for the mandarins in Udyog Bhavan for there are many companies in the public sector which overshadow SIL in terms of accumulated losses and mismanagement and deserve the kind of remedy that is now being actively considered for SIL.

NATURAL GAS

GAIL versus ONGC

Success sometimes brings problems in its wake, as the Gas Authority of India Ltd. (GAIL) discovered to its cost last fortnight. With the 1,739 km long HBJ pipeline within sight of completion (the first part of the public sector company's mandate), GAIL was confronted with an unexpected roadblock: the Oil & Natural Gas Commission (ONGC) contested the petroleum ministry's decision to vest GAIL with the entire responsibility of processing, transporting and marketing the country's natural gas.

To make things worse, while GAIL was poised to commence gas supplies to the third of the six gas-based fertiliser plants, the remaining three were nowhere in sight. NTPC's three gas-based power plants are also a year behind schedule. GAIL was, therefore, forced to begin a hunt for alternative customers.

ONGC has hitherto been tapping natural gas from the Krishna-Godavari and Cauvery basins, Tripura and the western onshore region (excluding Hazira), and it also has a compressed natural gas project. When the petroleum ministry asked it to transfer its responsibilities in these areas, with associated assets and liabilities to GAIL by the end of March this year, ONGC resisted this dismantling of its empire. The result was a first-class row between the ministry and ONGC, and GAIL was unwittingly caught in the crossfire.

The change proposed now had been envisaged as far back as 1984, when GAIL was set up. The logic was that the marketing of natural gas was a specialised job involving huge investments and integrated planning for processing, transportation and distribution. ONGC and Oil India Ltd. should, moreover, be left free to concentrate on their primary function of exploring and exploiting hydrocarbon resources. Their responsibility in the area of natural gas was to be confined to producing it and bringing it to designated points, from where GAIL would take charge.

Pipeline construction. If this decision had not been given effect to earlier, it was because GAIL had been totally preoccupied in constructing the pipeline and commencing deliveries of gas to its customers. But with the pipeline expected to reach its terminal point at Jagdishpur in Uttar Pradesh by the end of April, GAIL will have to sit and twiddle its thumbs unless more work comes its way.

In September 1987, senior managers of GAIL and ONGC had, at the initiative of the then petroleum secretary G.V. Ramakrishna, examined the financial and administrative arrangements necessary for the transfer of the gas marketing and related responsibilities. Finally, in end-February this year, ONGC was asked by the ministry to complete the transfer process by the end of March. Details were to be settled by the two companies themselves, and if there were differences, they were to be referred to a joint secretary in the ministry, whose decision would be binding on both. A decision on the price at which ONGC should transfer natural gas to GAIL was to be taken "in due course," but this issue was not to be allowed to hold up the transfer.

The HBJ pipeline. Inset:Colonel Wahi

ONGC chairman S.P. Wahi, however, had other ideas. He promptly shot off a letter to petroleum secretary S. Varadan, in which he stated that his own informal inquiries from the ministry at the time GAIL was set up in 1984 had revealed that the new company would be responsible only for the transportation and supply of gas through trunk pipelines similar to the HBJ. He quoted from the preamble to the ONGC Act, 1959, to support his case that the transportation and distribution of natural gas was entirely within the purview of ONGC's activities. Any transfer of the functions already being carried out by ONGC, he claimed, could be decided only with the approval of its board of directors.

He finally gave in to the ministry's demand in part and agreed to transfer the "free gas" facilities in the Krishna-Godavari basin and Tripura and the compressed natural gas project. But, he qualified, ONGC would first have to be satisfied about the price at which it would transfer the gas to GAIL (the ministry had wanted the transfer to precede a decision on price). Any new arrangement, he said, should not be allowed to affect ONGC's revenues and profits. However, he said, it would not be possible to transfer ONGC's facilities in the western onshore region, because facilities for the production of oil and "associated gas" were the same and could not be bifurcated (production of associated gas is dependent on the production of oil and is only incidental to the latter).

Stiff rejoinder. As for the petroleum ministry's proposal that any differences between the two companies should be referred to a joint secretary in the ministry, Wahi pointed out stiffly: "... this is not a matter for arbitration and ONGC has to take its own decision whether it should transfer some of its functions to GAIL and, if so, at what cost. The ONGC may not be able to take a decision unless the cost-benefit analyses are available to it."

The feeling within GAIL and the petroleum ministry was that Wahi's attitude was entirely due to what he perceives as the threatened loss of a part of ONGC's empire. But with the executives of the two companies, who had been asked to recommend the modalities for the transfer, unable to reach any agreement, and with letters flying back and forth between ONGC and the ministry, it was not clear just how the deadlock would be resolved.

But that was not GAIL's only problem

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Another, even bigger problem was a lack of markets. For, with the pipeline on the verge of completion, most of the originally designated customers for gas were nowhere in sight. The reason: major slippages varying from six months to four years in the implementation schedules of the gas-based fertiliser and power plants. Three fertiliser plants were originally expected to go on stream in 1987, two more fertiliser and three power plants were expected to be commissioned by 1988 and the last fertiliser units by 1989.

The first three fertiliser plants have been marginally delayed (National Fertiliser's Guna plant, IFFCO's Aonla plant and Indo-Gulf's Jagdishpur plant), the three power plants are behind schedule by over one year and the remaining three fertiliser units by over four years. The Tatas want a change in the product mix of their plant at Babrala, the Birlas' proposed plant at Sawai Madhopur has not yet received environmental clearances because it is too close to the Ranthambor tiger reserve, and the Apeejay group's letter of intent for the Shahjahanpur unit has been revoked by the government.

Tight spot. As the route of the HBJ pipeline was finalised in the first place on the basis of the location of these plants, GAIL finds itself in a tight spot. "The market for gas is a continuing cause for concern. In fact, as the pipeline has progressed, the market has regressed," GAIL chairman Vineet Nayyar had observed when deliveries of gas to National Fertiliser's plant commenced in August last year. Says another company executive: "The Tata, Birla and Apeejay plants are now highly uncertain, so we must have alternative customers. That's why we are constructing a spurline from Wagodia to IPCL (Baroda), and plan to construct one from Babrala to Delhi, and another to IEL Ltd.'s works in Kanpur."

Another prominent user is likely to be Maruti Udyog. The power-starved public sector auto maker has decided to replace its diesel generating sets with gas turbines run on HBJ gas. However, gas has been reserved for the remaining three fertiliser plants — if and when they come up. Other plans to convert this setback into a business opportunity include supply to plants at Bijaipur in MP to make 425,000 tonnes of LPG and 134,000 tonnes of propane per annum.

Notwithstanding these temporary setbacks, GAIL itself is all set to become a colossus by the end of this century. India's recoverable reserves of natural gas are today estimated at 478 billion cubic metres, but new gas reserves are being discovered at twice the rate of new oil reserves. With the country's oil deficit expected to more than triple to 44 million tonnes by the year 2,000, natural gas, which can be used as a clean and efficient source of fuel in a wide range of industries (including the all-important power, fertiliser and petrochemical sectors), is bound to come into its own.

GAIL would then preside over an empire that would be the envy of even the redoubtable colonel Wahi.

Rajiv Shirali in New Delhi

EXIM POLICY

Tiwari shows his liberal side

Running true to form — that's the predictably unpredictable Union minister for commerce and finance, Narayan Dutt Tiwari. Last month, wearing his cap as finance minister, Tiwari presented an eminently forgettable budget which seemed to butress his image as the last of the old school in the Congress party. On 30th March, the same man, in another incarnation as Union commerce minister, unveiled an export-import policy that was unabashedly liberal. Pinning down the actual direction of economic policy, therefore, remains as elusive a quest as ever.

If anything, the new exim policy seems explicitly designed to send a signal that the liberalisation process has not been short-circuited. In keeping with its desire to keep industry on its side — never mind the tax raids — the Rajiv Gandhi government has, perhaps, uplifted the symbolic value of the new policy framework. On specific orders from the prime minister's office, it was Tiwari himself who presented the last of the season's blueprints to an expectant audience. The Union minister of state for commerce, P.R. Das Munshi, who is in charge of the day-to-day running of the ministry, was sent packing to Romania around the time. Only the star performers were, apparently, needed.

Tiwari: two-in-one minister

For Tiwari, there must have been an eerie feeling of *deja-vu*. Here he was, doubling as finance and commerce minister — just as one V.P. Singh had been in 1985. And here again he was announcing another three-year policy (1988-1991) — just as Singh had done in 1985. Even the broad policy objectives — stimulating industrial growth by providing access to imports and, of course, to boost exports — were only an echo from that era of Camelot. But the difference was in the audience. Then, there was genuine surprise and pleasure. This time, the response was cool, even forced at times. For who knows when the next policy flip-flop will come?

Relieved reactions. If the press handouts are any indication, Indian industry is happy. Assocham, for instance, said that the exim policy "confirms and takes ahead the policy of liberalisation." Ficci, too, was confident that the policy would help the country's export drive. The Confederation of Engineering Industry (CEI) observed blandly that the policy was "welcome as it did reflect continuity and stability." Relief, however, appeared to be the more dominant reaction. For, in the face of the impending crunch on the foreign exchange front, the temptation to raise protectionist barriers must have been irresistible.

Industrialists needn't have fretted. Even at the policy formulation stage, the powers-that-be had in fact ruled out such an option. Just a few weeks earlier, at a meeting in Bombay, R.L. Mishra, chief controller of imports and exports, had provided a pointer to this effect. Said he: "50% of our imports are in the form of bulk essential commodities, 5% to 10% are) for projects connected with aid programmes, and 6% to 10% are for items used in exports. (The import of) all these items cannot possibly be curtailed."

The exim policy directly affects just one-third of the country's total imports in any case. Coupled with the upturn in exports in the last financial year, the government found it relatively easy to maintain the existing regime of liberal imports.

Easier imports. And that has transpired. One key indicator, the number of items on OGL (open general licence), reflects the extent to which liberalisation has been further pushed forward: 745 new items have been put on OGL. As Jakhat Ram (62), former chief controller of imports and exports, points out, "The enlargement of the OGL list is always welcome in the Indian context." But officials of the commerce ministry such as A.N. Verma, commerce secretary, were inclined to play down the change. "There have been very few transfers from, say, the restricted or banned list of items to the OGL list. It is only those items which are not available indigenously, such as drugs and medical equipment, that we have just once-and-for-all put on OGL," he explains. The upshot, of course, is that recourse to imports will become easier and independent of the numerous "clarifications" the commerce ministry revels in.

In this context, it is perhaps pertinent to ask if the concept of a long-term trade regime has actually worked. According to at least one monitor, over the past three years, close to 200 changes have been announced in the policy. "That is not true. Only one major change, the duty exemption scheme, has been made. The rest is just fine-tuning," says Verma. Although trade and industry circles disagree, they do admit that the present system is an improvement over the past one. "My only point is why licensing too cannot be done on a three-year basis. This would speed up matters tremendously," argues Jakhat Ram (quoted earlier), an avid analyst of the rule-book. But that would imply the sacrifice of discretionary powers, which the commerce ministry mandarins would hate to do.

The case of the capital goods industry is an excellent example. Far from providing any additional measure of protection to domestic industry, the new policy adds 99 more items to the OGL list. While this is perhaps inevitable if industry is to modernise fast, the domestic capital goods industry is doomed to suffer. Which is why Suresh Krishna, CEI president, was quick to point out, "I hope the large list of easier imports of machinery will take into account indigenous availability and the capability of Indian industry to the maximum extent."

Past experience, however, shows that in spite of the so-called "advertisement" procedure, the first choice of project planners has always been imports. Even more galling for domestic manufacturers is the fact that the import of second-hand capital goods has been allowed to continue. Indeed, in the case of OGL imports, even the advertisement procedure has been dispensed with. "The domestic angle has been well covered," was all that officials of the ministry would say, leaving the issue wide open. The only consolation for the domestic industry is that in order to speed up deliveries, it will be allowed to import 50% of its raw materials and components on application rather than having to wait for months on end.

Tarneja:"Inconstructive interpretation"

Significantly, OGL imports have been extended to the railways, the departments of posts and telecommunications, AIR and Doordarshan. For Tiwari, "the cornerstone of the new policy is the import replenishment (Rep) scheme." Under this, exporters are entitled to get import licences to replenish their stock of raw materials and components used in the manufacture of exported products. At one stroke, the scope of this scheme has been widened to include almost all raw materials, capital goods and components. Moreover, these Rep licences have been made transferable from the very outset. Jakhat Ram, for one, is not entirely convinced about the utility of this. "All these items (Rep licences) are now tradable. This means that traders are bound to benefit in the process. I've got 25 calls this morning from people who want to set up Rep shops," he says. With fat premia likely to be charged, the benefit to the exporter may well turn out to be negligible.

Change in emphasis. Similarly, the new provisions relating to export houses are a mixed bag. "I think, for all the disclaimers, the government is trying to boost only traditional exports. They have been placed on a par with non-traditional wares. And, secondly, the concept of net foreign exchange realisation will help them even more," says a manager in a leading export house. Even deemed exports have been cut out from the provision relating to the eligibility for registration as an export house. The end-result: the number of export houses will decline and the number of trading houses will increase, which is certainly a change in emphasis.

Happily, for once, a determined bid to cut red-tape has been made. A number of procedural simplifications, the extension of the passbook scheme to all manufacturers and the decentralisation of decision-making powers — all these are likely to see exporters heave a sigh of relief. But, as Dr. Ram Tarneja, president of the Indian Merchants' Chamber, put it: "The result (of the new policy) will depend upon the implementation, where officials can still kill initiative with their inconstructive *(sic)* interpretation of the small print in the import policy books."

While the small print in the red book will take time to analyse, the broad thrust of the policy is unmistakable. Access to free imports of both capital goods and raw materials in order to modernise and export has been assured. It has also been assumed that this policy has worked. For proof, the government relies on trade statistics, which show that the trade deficit has narrowed in the last financial year. That this has been primarily due to the weakening of the rupee, thanks to a flexible exchange rate policy, has perhaps been overlooked. Moreover, modernisation and technology upgradation have also manifested themselves extremely selectively, with the core of Indian industry still unable to withstand the flood of imports. Nor is there any evidence that the government's policies have actually resulted in a new thrust for exports. "Why do I get the feeling that you people think that we are giving too many concessions to importers and that exports are not going to pick up?" asks commerce secretary Verma.

Why indeed? Because, the spectre of an external resources crunch looms large even into the next plan period. And it just refuses to be wished away.

Anand P. Raman in New Delhi

BusinessWorld
April 11—24, 1988

SHIPBUILDING

Floundering on the rocks

"If you want a shipping company to go into liquidation, ask it to place an order for a ship with an Indian yard." This uncharitable observation of an Indian shipowner may seem unfair since some shipping companies appear headed towards liquidation even without shipyards having to do their bit. But, to a large extent, the observation does reflect a widely held belief in the shipping industry that placing an order with an Indian yard poses far greater risks for shipping companies than sending their entire fleet to the Persian Gulf war zone.

Bharati shipyard. Inset:Vijay Kumar

How reasonable is this belief? Says A.K. Srivastava, former executive director of the now-defunct Shipping Development Fund Committee (SDFC), "Of the 23 private shipping companies financed by SDFC, at least 13 of them are presently in possession of 26 indigenously built ships on which the total outstanding loans are approximately Rs.260 crores. Almost all these ships are hopelessly overpriced, fuel-inefficient and technically obsolete."

There is no refuting this, for it is common knowledge that Indian shipbuilding has fallen on bad days, earning notoriety for various sins of omission and commission. The biggest of these sins is the failure of the industry to build up strong and technologically self-sufficient ancillary industries. As a result, the availability of several key inputs is often uncertain, leading to avoidable delays in the delivery of ships. Low labour productivity and obsolete production methods and ship designs compound the problem. The consequence: Indian-built ships are at a clear 30% -50% price disadvantage vis-a-vis those built at foreign yards.

But that's just for starters, allege shipowners. If high costs were their only grouse, shipping companies may, perhaps, have learnt to live with them. Unfortunately, Indian yards give their customers further cause for dissatisfaction by taking their own time to deliver the ships ordered. Delivery schedules for ships go upwards of five years on an average and, at times, touch even seven years. The price — both in terms of cost escalation and time overrun — has, however, to be paid by the company ordering a ship since pressure from the government ensures that it is almost impossible to have contracts with an Indian shipyard cancelled.

Vociferous protests. Against this backdrop, any shipowner placing an order with an Indian shipyard ought to be deemed nuts. But he isn't, and the reason is the PPO — or *pari passu* obligation. Under the PPO, the government expects any shipping company ordering a ship from a foreign yard to place a similar order with a shipyard at home. While the vociferous protests of shipping companies have ensured that the PPO is honoured more in the breach, the fact remains that where the obligation has been imposed on shipowners the latter have invariably suffered. One of the reasons why the Scindia Steam Navigation Co. has sunk is the heavy burden of operating ships built at Indian yards. Four of Scindia's loss-making ships — the *Jala Gauri*, the *Jala Gopal*, the *Jala Govind* and the *Jala Vani* — were built in Indian yards.

All the six major shipyards in the country are in the public sector: Mazagon Dock Ltd. (Bombay), Garden Reach Shipbuilders & Engineers (GRSE, Calcutta), Hindustan Shipyard (Visakhapatnam), Cochin Shipyard, Goa Shipyard and Hooghly Docking (Calcutta). Besides these six, there are nearly 40 smaller shipyards in the private sector.

Stung by the accusations levelled against them by shipowners, the shipyards too have banded together in two associations to fight back. While the big boys recently grouped together to form the Indian Ship Builders' Association (ISBA), the smaller yards have teamed up to constitute the Shipbuilders Association of India (SAI). And the two associations have made it clear that they do not propose to take all the criticism lying down. Both assert that if Indian shipyards have been unable to deliver the goods, the reasons have less to do with their own inadequacies than with circumstances beyond their control. "What can we do?" fumes Vijay Kumar, managing director, Bharati Shipyard Pvt.Ltd., and secretary of SAI. "Our hands and feet are shackled. We have the expertise to deliver as good a product — if not a better one — than what foreign shipyards can do but we are thwarted everywhere by local taxes, custom duties, import licensing procedures ..."

Extraordinary delay. To buttress this contention, Kumar cites a case in which his shipyard had been unable to meet the delivery schedule. The construction order had specified that the ship should be delivered by February 1987 but even as late as in February this year the customer had no clue as to the delivery date. The reason for this extraordinary delay: half the raw materials that Kumar had imported were stolen from the Bombay Port's warehouse! Not one to be baulked easily, Kumar immediately ordered replacements to be air-freighted from abroad. This time it was the customs authorities who checkmated him. His imported materials continued to languish in the godown.

Kumar's isn't the only voice critical of government policy and procedures in regard to shipbuilding. A Mazagon Dock spokesman who wished to remain unidentified laid the blame for the shipbuilding industry's woes squarely at the door of the government. "Our raw materials cost more than the finished product. We get steel at Rs.8,000-9,000 per tonne whereas in Taiwan and Singapore steel

The high cost of building at home

Company	Ship built by	Year of delivery	DWT	Cost (Rs.crores)	Cost of comparable ship if built in Japan/Korea (Rs.crores)
Tolani	Hindustan Shipyard	1987	26,700	18.18	12.00
Essar	Hindustan Shipyard	1983	26,710	19.34	12.00
Chowgule Steamship	Cochin Shipyard	1985	76,000	22.50	18.00
Chowgule Steamship	Cochin Shipyard	Still to be delivered	76,000	32.50	20.80

prices are less than half that amount." Nor is the steel — however costly — easily available. "If we require steel we have to place an order six months in advance with the Steel Authority of India Ltd. (SAIL). SAIL will cater to the order only after the other shipyards also send in their requirements. Can you imagine the time taken in following this sort of procedure?" the Mazagon Dock spokesman asks.

These dilatory procedures notwithstanding, the real bugbear of the shipbuilding industry is the government's pricing policy for raw materials, which account for roughly two-thirds of a cost of a ship. On an average,Indian shipyards pay 100% to 300% more for all critical inputs than what their counterparts abroad pay. Steel costs at least twice as much as in Taiwan and Singapore; diesel engines and auxillary machinery 150% to 200% more; paint is 100% dearer and cables cost almost four times as much as they do abroad. To top it all, Indian shipyards have to pay local taxes — excise, sales tax and octroi — all of which adds substantially to the final cost of a ship. Most comparable foreign yards, on the other hand, pay no local taxes as they are given special treatment. Japanese and South Korean yards get steel machinery and equipment at factory prices and bank finance at less than 5% interest.

Several handicaps. Given the fact that Indian shipyards are handicapped in many ways,it is not surprising that they haven't exactly outshone their foreign rivals. "Equalise the cost of our inputs, exempt these from local taxes and we will produce ships at competitive rates," says the Mazagon Dock spokesman (quoted earlier). Vijay Kumar of Bharati Shipyard is equally certain that Indian shipyards can be competitive not only in price but also in quality if given the right breaks. "The quality of our workmanship is second to none. After all, when our prime minister is confident that India can produce its own aircraft — which requires a great deal of technological sophistication — surely we can indigenise our ships too. All we need is to be given the status of a 100% export industry and freedom to source our materials from any part of the world."

Freedom to source materials is very important to Indian shipyards because at the present ship production rate of 10 to 15 a year the demand for components is too low to encourage adequate ancillarisation. Shipowners, however, are less than sympathetic to the shipyards' predicament. "What can we do if they (shipyards) are paying a higher price for steel? It is their funeral, not ours. Why load the price on to us?" asks J.G. Saggi, executive director of Continental Shipping Corporation Ltd.

S.N. Sanklecha, senior vice-president of Great Eastern Shipping, is even more scathing. "Indian shipyards take days to carry out even minor repairs on ships, leading to losses for shipowners. For every day a ship is laid up,the shipowners have to sustain a loss of $6,000 to $7,000. If some minor repairs take as long as 20 days the loss is very high. Then how can one compete internationally?"

Sanklecha:drastic solution

Drastic solution. Sanklecha's solution therefore is drastic. "I think it is better to totally write-off our shipyards.We don't need such yards."

Rear Admiral Krishan Dev (Retd.), president of Essar Shipping Ltd., is also very concerned about the high costs of Indian yards. "Abroad you can get ships for $12 million but here I have to pay $25 million." More than the cost it is the delays that bug Krishan Dev more. "In 1975, when I was the chairman of the Shipping Corporation of India (SCI), the first Panamax ship order was placed with the Cochin Shipyard. The keel was laid by Mrs. Gandhi in 1976. In 1980, when I was leaving SCI, I still had not had the pleasure of receiving this ship. It was not ready."

However, despite all the criticisms, there is no gainsaying that the beleaguered shipbuilding industry needs a lifeline from the government. There are signs that this may be forthcoming. An empowered committee set up by the surface transport ministry and the Bureau of Industrial Costs and Prices has made major recommendations to help the industry. Among the suggestions already accepted in principle by the government are the recognition of shipbuilding activity as an export industry,waiver of custom duty on 50% of the raw materials used by the industry and an easier procedure for steel imports.

If these decisions are fully implemented, the Indian shipbuilding industry will soon be able to sail into calmer seas.

K. Mahalakshmi in Bombay

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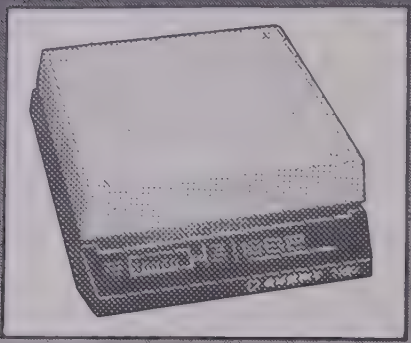

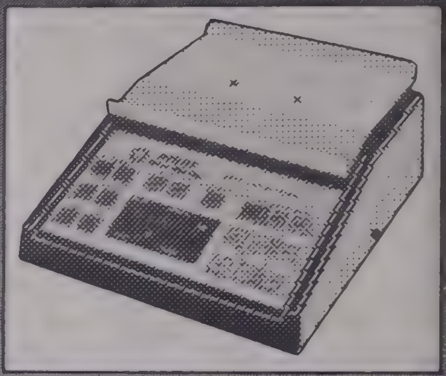

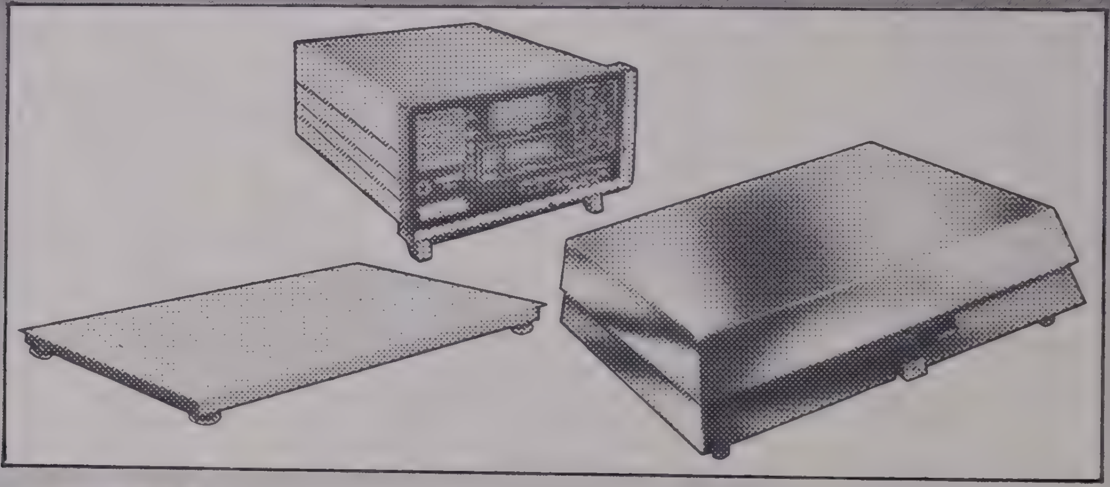

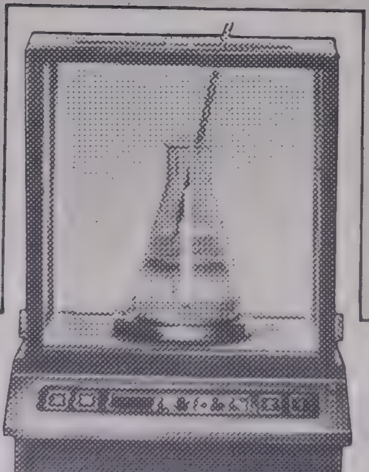

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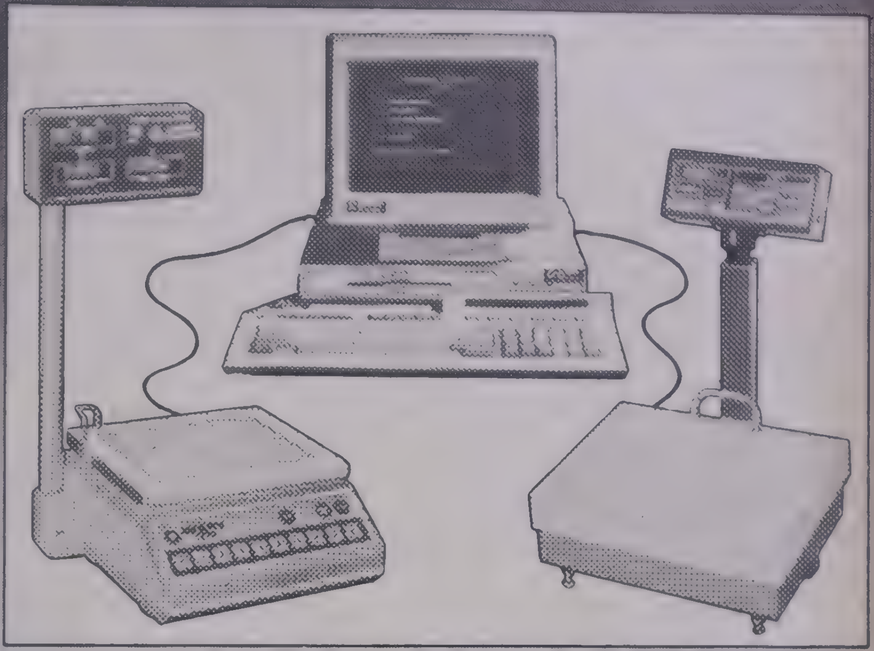

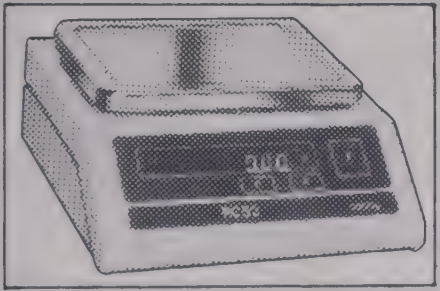

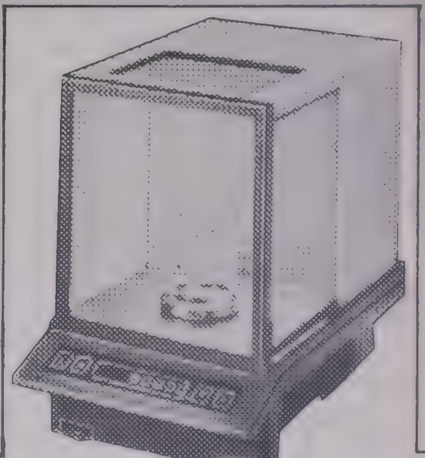

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BusinessWorld
April 11—24, 1988

IIM, BANGALORE

A new course on spending

The Indian Institute of Management, Bangalore, doesn't usually make hot copy for the media. If at all anything associated with the IIM can be called a media event, it is the annual convocation — a forum to which Union ministers get invited to hold forth on pet subjects, which are faithfully reproduced in the next day's papers. And, no doubt, quickly forgotten. On 25th March, however, the institute authorities found to their surprise that they were making news. And most of it was unfavourable.

The Bangalore edition of *The Economic Times* had published a two-column report disclosing that the institute was planning to go on a spending spree that would have put Imelda Marcos to shame. The report alleged, *inter alia*, that the institute was planning to spend nearly a crore of rupees in a week — all, apparently, in order to ensure that the funds allocated to the institute were spent before the end of the financial year (31st March).

The result has been pink faces all around. The institute's director, chief administrative officer and the dean of academic programmes, while repeatedly stressing that the news report wasn't really news and was of "little consequence," were equally at pains to explain that the version published by *The Economic Times* was biased and partly incorrect. There is a wee bit of truth in this charge, but the broad thrust of the report is factual and undeniable since it is based on the minutes of a meeting held at the institute on 16th March to discuss the budget for the remaining part of the financial year 1987-88. How the minutes found their way to the press is another matter, but there is no doubt as to what the meeting discussed.

Presided over by Professor A.K. Rao, dean of academic programmes, the meeting cleared a total expenditure of Rs. 97.05 lakhs, and the sum was apportioned as under:

- **Library:** Rs. 7 lakhs, which includes Rs. 1.50 lakhs for the purchase of books and periodicals; Rs. 3.50 lakhs for microfiche/film reader/printer; Rs. 1 lakh for educational films; and Rs. 1 lakh for furniture and fixtures.
- **Campus activities:** Rs. 56.05 lakhs, including a "mobilisation advance" of Rs. 10.75 lakhs to contractors; Rs. 15 lakhs as running payment, again to contractors; and Rs. 16 lakhs as advance to the computer firm, CMC, for civil work relating to the institute's computer centre.
- **Computer centre:** Rs. 26 lakhs, including Rs. 22 lakhs for hardware and software, Rs. 2 lakhs for computer furniture, and Rs. 2 lakhs for computer video cassettes.
- **Programme activities:** Rs. 8 lakhs, including the purchase of five portable power generators (Rs. 30,000), three photocopiers (Rs. 3 lakhs), a VCR plus colour TV (Rs. 50,000), a video camera (Rs. 50,000), four electronic typewriters (Rs. 2 lakhs), a cordless public address system (Rs. 50,000) and microphones, film projector, audio amplifiers and slide projectors (Rs. 1.20 lakhs).

All stuff which, no doubt, is necessary on campus. But why the rush to spend all the moolah in one big year-end splurge?

Philip:justified allocations

As the institute's top brass explain it, the IIM gets its funds, both for recurring and capital expenditure, mainly from the Union ministry of human resources development (HRD). For 1987-88, the institute has been sanctioned Rs. 2.36 crores (figures rounded off) towards capital expenditure and, as was normal, this amount did not come in one go but was spread over four instalments: in May, July, October and January. This year, the fourth instalment of Rs. 96.60 lakhs, due in January, came through only in March, and was less than what the institute had expected, the chief administrative officer T.S. Natarajan told *BusinessWorld*. "Actually, the money is still to come, though we have received word that it's on the way," said the institute's director, J. Philip, when contacted towards end-March.

Reordered priorities. "The 16th March meeting — referred to in the newspaper report — was not convened to decide in a hurry how Rs. 97.05 lakhs was to be spent by 31st March, but to reorder our priorities in the light of the current knowledge that the fourth instalment would be Rs. 96.60 lakhs, which is Rs. 2 lakhs less than what we had anticipated," said Philip. "Overall, the total sum sanctioned for capital expenditure in 1987-88 is lower than what we had sought in our revised budget estimate presented to the Union government in October last year."

Philip described as incorrect the statement in the news report that the sanctioned amount for the year or any part thereof would automatically lapse if left unspent before 31st March. "The unspent amount, if any, would be carried forward to the next year. But I should add that the ministry of HRD, when deciding on our allocation for the coming year, would take into account the money we have not spent and make an adjustment accordingly. Therefore, there is no denying that we are in a hurry to complete whatever we have lined up in our plans. Otherwise, what's the point of having a plan and a budget?"

In rather tedious detail, Philip and his colleagues justify the allocations under various heads. No, there was nothing unusual in the allocation of Rs. 10.75 lakhs as "mobilisation advance" to civil contractors. Large civil construction work is going on at the campus and, in any case, the advance is given under an "iron clad" — Philip's words — bank guarantee.

Computer blackboards. The advance of Rs. 16 lakhs to the computer company, CMC, is again "standard practice" and anyway, "isn't CMC a public sector company and a "part of government, like us?" Why so many personal computers? "Well, computers today are becoming like blackboards in a classroom," says Philip blandly, "and we cannot remain in the 19th century, can we, while we talk of offering the best management education?" So, the institute has decided to order 20 personal computers at a cost of Rs. 20 lakhs, in addition to the 22 it already has, three of which are in the students' hostel (some students confess that they mostly use them for video games), one is in the director's office, and one is in the chief administrative officer's chamber. "Given a choice," chips in dean A.K. Rao, "we would have gone in for 40 more PCS."

Philip also justifies the decision to buy five portable power generators (a "piffling expenditure") and three more photocopiers, two of which — he takes pains to point out — would be "under the custody" of the dean, and the chief administrative officer and not for their specific use, as stated by *The Economic Times* report.

In the final analysis, leaving aside the justifications trotted out by IIM's top management on its spending programme, the fact remains that the leak of the minutes of an important internal meeting to the press has caused the institute some embarrassment, which is apparently what it was designed to do in the first place. Perhaps, what the IIM needs is not more copiers but a paper-shredding machine.

N. Raghavan in Bangalore

AGRO-INDUSTRY

Nurturing a nut

On 14th March, Union agriculture minister Bhajan Lal found himself getting hot under the collar during question hour in the Lok Sabha. The reason: he just could not name the members of the Coconut Development Board (CDB) under his own ministry nor even its chairman. He flipped through several sheets in his file to find the answer to the question posed by Phulrenu Guha, a Congress MP. All to no avail. Although ruffled by taunts from both ruling party and opposition members, Bhajan Lal went on to inform the House about the areas where coconut is grown. In this, too, he appeared to falter and was assisted by members who reeled off the names of the states. Seconds before the question hour ended, the honourable minister gave out the name of the CDB chairman as Ranga Reddy.

He was wrong. The CDB's chairman is Kabbali Range Gowda (50), a coconut farmer from Hassan, Karnataka, and more than a farmer, a politician. He is a former member of the Karnataka Pradesh Congress(I) Committee. Gowda assumed charge as CDB chairman in September last year.

The CDB was set up by the Union government under the Coconut Development Board Act of 1979. With headquarters in Cochin, the CDB started functioning from early 1981, under the administrative control of the Union agriculture ministry. The CDB has since set up two regional offices, one in Patna and the other in Bangalore, for better coverage of coconut growing states. Recently, a new state centre has been established in Tanjavur, Tamil Nadu.

Integrated development. In furtherance of its main objective of integrated development of the coconut industry in the country, the CDB is implementing a number of schemes, covering the production, marketing and processing of coconut. Some of these schemes are fully financed by the board; others have 50% financial participation from the state governments concerned. The developmental programmes, explains Gowda, broadly fall under four categories: expansion of area under coconut, production and distribution of plant material, productivity improvement, and technology development.

Gowda:sponsoring innovation

India ranks third (after the Philippines and Indonesia) in coconut production with an annual output of around 6,900 million nuts. The crop is grown over 1.2 million hectares, with maximum concentration in the southern states of Kerala, Karnataka, Tamil Nadu and Andhra Pradesh. While Kerala is a major producer of coconut, the growth rate recorded by that state both in terms of area and production has been dismal during the past decade. On the other hand, Karnataka offers better prospects for further increase in area and production of coconut.

Although cultivation is confined mainly to the coastal belts, demand for coconut and its products is widespread. "Because of the diverse uses of coconut in its raw form, only about 40% of the total production of mature nuts becomes available for commercial use, such as for *copra* making and oil milling. Nevertheless, the current annual production of coconut oil constitutes 7%-8% of the total vegetable oils produced in the country," says Gowda.

Under the Seventh Plan, Rs. 791.95 lakhs have been allocated for various coconut development programmes sponsored by the CDB. Of this, the share of the participating states is Rs. 307.75 lakhs. In Karnataka, the allotment made by the CDB for various programmes is Rs. 185.6 lakhs of which the state government's share is Rs. 85.1 lakhs. The budget provision earmarked for implementing developmental schemes in Karnataka during 1988-89 is Rs. 46.30 lakhs, of which the CDB's share will be Rs. 34.21 lakhs.

Encouraging innovation. The CDB is also keen on promoting post-harvest processing of coconut in Karnataka, which is quite backward in this respect. "Effective steps have to be taken for profitable utilisation of all the products of coconut palm which alone can safeguard the interests of coconut farmers not only in Karnataka but also in other states," observes Gowda. The CDB, has, therefore, sponsored some programmes to encourage technological innovation in the processing sector, particularly in the areas of product diversification and by-product utilisation.

But CDB's biggest challenge is to reduce the variations in the prices of coconut and coconut products, which is detrimental to the interests of both the coconut farmer and the consumer while benefiting the middleman. This the CDB hopes to achieve by stepping up direct procurement and marketing of coconut and related products. "We will be able to make an impact once we are in a position to market 20% of the total coconut production in the country," says Gowda.

But when and whether this will come about is debatable. Meanwhile, the CDB has started opening retail outlets. Two have already opened in Bangalore and Cochin but have received a cool reception and there are plans for similar sales counters in Delhi, Bombay and Calcutta.

In another development,, the CDB is collaborating with the Central Food & Technological Research Institute (CFTRI), Mysore, for developing a soft drink from coconut water, now thrown away as waste in coconut processing plants. Gowda expects the soft drink to enter the market some time next year. Which means one more addition to the growing soft drinks market.

By a special correspondent

BusinessWorld
April 11—24, 1988

100% foreign units for R&D?

Exceptions to the FERA ceiling of 40% foreign equity holdings in Indian companies are on the rise. After tea companies (76%) and high-tech companies (51%), R&D units may be next in line. According to a recent report, the Union government has decided to allow foreign companies to set up R&D units with 100% equity holding.

The *raison d'etre* underlying this move appears to be the desire to encourage R&D in high-tech areas. Hopefully, once such research gains strength in India, fewer students (from the IITS, particularly) may want to hit the MIT-Oxbridge trail. Thus, the government believes, the step will also help plug the brain drain.

The department of science and technology and the Planning Commission are both reported to be in favour of this proposal. They believe, however, that the government should claim some rights over the findings of such research.

The proposal is expected to find takers in Europe, where R&D costs are astronomically high, primarily because skilled researchers are very highly paid. It may thus be worth their while to move to a developing country, where manpower costs are lower.

3% shortfall in investment likely

Gross domestic investment in the Seventh Plan, in the public and private sectors, may fall short of the targeted Rs. 322,000 crores by 3%.

At the recent National Development Council (NDC) meeting, planning minister Shiv Shankar admitted that while the public sector plan might be "close to the target" in real terms, the "financing pattern of the plan differs considerably from the original."

The shortfall in investment, observers feel, may exacerbate the tension that exists already between the Centre and the states over the division of resources. The controversy over the terms of reference of the Ninth Finance Commission has already caused a good deal of bad blood. The investment shortfall may only worsen matters.

PSF makers spin a yarn

Yarn spinners (not the verbal kind) are sore. The manufacturers of polyester staple fibre (PSF), who had promised to pass excise reliefs down the line after receiving the government's budgetary largesse, have apparently reneged on their assurances.

A.K. Kanoria, president of the Indian Spinners' Association (ISA) recently complained that while PSF manufacturers had received excise reliefs of Rs. 10 per kg in the recent budget, only 25% had been passed on to the spinners.

Kanoria said that the price of PSF had come down only marginally after the budget — from Rs. 63.50 per kg in February to Rs. 61.16 in March. This meagre price decrease hardly benefited spinners, he said. On the other hand, their costs had begun to spiral because of the increase in freight rates.

In the post-budget days, promises are cheaper than the newsprint they are printed on. But some of the promise-makers are evidently only spinning a yarn.

Hard times for pepper exporters

Pepper exporters are facing rough weather. The US Food and Drug Administration (FDA) has imposed stringent regulations on the import of black pepper from India, as a result of which the exporters suddenly have heavy inventories on their hands.

The sudden shrinking of the export market has made the exporters turn to the home front to offload their stocks. Thus, there has been a sharp fall in the domestic price of black pepper.

The Spices Board is trying its best to salvage the situation. It has urged its officers to tighten inspection procedures as regards the quality of export consignments. The Export Inspection Agency, too, has been roped in to improve quality assurance.

Some exporters, in their desperation, have been trying to undercut others. The Spices Board has warned such exporters to desist, and not to sell pepper below the levels decided by the International Pepper Community last year.

BLACK PEPPER
AAACHOOO
Vino

Pesticide makers seek protection

Pesticides manufacturers don't know whether to laugh or to cry.

In the recent budget, wide-ranging excise concessions were granted to the pesticides industry. But simultaneously, 15 technical grade pesticides were moved from the banned list to the open general licence (OGL) list, and customs duties slashed to 70%.

The pesticides manufacturers are afraid the lifting of the import ban and the lower import duties will spur traders to import pesticides in massive quantities, leading to a fall in domestic prices. This could neutralise the excise concessions.

Salil Singhal, chairman of the Pesticides Association of India, recently said that 13 of the 15 pesticides brought under OGL are made in India. He complained that increasing their imports would lead to "unfair competition."

The pesticides industry's argument sounds surprisingly similar to the famous "candlemakers' petition," which demanded protection against "unfair competition" from the sun. Even a year of drought cannot make the pesticides industry see beyond its own interests.

Micro-planning to be revived

The Planning Commission has decided to breathe life into a dead practice: planning at the state and district level. Soon, a task force will be set up to work out the details.

The initiative for the revival of the practice has apparently come from the prime minister. At a recent meeting of the commission, Rajiv Gandhi said the state and district level machinery should be involved to a greater degree in the planning process. He called for a "new thrust" in this direction. Specifically, he wanted greater involvement of the state and district machinery in maximising employment generation.

Although the terms of reference for the task force are not yet clear, it is likely that it will look into the determination of state and district-level needs, for incorporation into the national plan.

This technique will first be tried out in Uttar Pradesh and Gujarat — two states which have already done some work in this area. If it proves a good thing, other states will gradually be brought within the ambit of the planning technique.

Twin troubles in organisations

MAYA REDDY

Competition is traditionally supposed to breed efficiency. Within an organisation, however, there are certain exceptions to this rule. When two individuals are pitted against each other, the result can be mutual frustration which, in turn, drastically reduces their contribution to the corporation.

In most organisations, there exists some system for the identification and development of potential. Some tend to be extremely systematic while others rely on intuition and gut-feeling. A few perceptive managers have been aware of an interesting phenomenon that emerges during this process of potential assessment: 'corporate twins' are identified and the label sticks for a fairly long period.

Although only a small minority of an organisation's members are 'twins,' the phenomenon is fairly well charted. Whatever happens to one will also happen to the other. The same 'development' processes are applied to both. After some time they start competing for the same corporate plums and sibling rivalry results, often with disastrous consequences.

A few examples will make this clear: Vinod and Gautam joined the organisation within a few months of each other. There was a deliberate decision to recruit young executives with high potential so that in time they would occupy key general management positions. Vinod was 32 and Gautam 30 and each had about three years' work experience in the production departments of pharmaceutical plants. They came to the organisation with almost similar backgrounds.

BEST COMBINATION

After recruitment, they were placed in the same production plant, working under a common boss. Each supplemented the shortcomings of the other and together they represented the best combination of technical expertise and interpersonal relations. As time passed on, the 'twins' got the same treatment in terms of increments, promotions, nomination to international seminars, special assignments, membership in task forces, etc. Both had godfathers, supporters and detractors.

The problem for the top management was to differentiate between the two and give them a fair and just rating. It was not an easy task to link individual performance to results achieved and give credit where it was due. While the senior managers were partly conscious of this dilemma and were trying to find solutions, Vinod and Gautam began to exhibit sibling rivalry. They had been fairly close friends, shared certain organisational milestones and lived in the same housing complex. Thanks to the 'contributions' of friendly colleagues, the twins started competing with each other and their relationship deteriorated. The inevitable happened — the stronger of the two, i.e. Vikram, survived while Gautam became a disgruntled non-performing executive, who finally left the organisation. The question one should ask is: "Who was responsible for this?"

A second example is that of Chetan and Varun, both MBAS who joined the organisation around the same time. Chetan was older and had six years experience working in two different organisations. Varun had worked for a similar organisation in a similar function for about three years. The organisation they joined had ambitious plans for growth and required fresh talent to achieve long-term objectives.

While Chetan was steady, intelligent and competent, Varun was brilliant, ambitious and quite aggressive. Both were identified as having potential and therefore given the same opportunities. The corporate twins in this case, were themselves aware of the labelling from the very beginning. To test out their individual skills and levels of competence, they were given new assignments and within six months they proved fairly successful in their efforts. The increments, the promotions and the attention given to them were similar, although Varun had a slight edge because he was more outspoken and had a very clear notion of what he wanted from the organisation.

TOTAL DISAPPOINTMENT

Needless to say, colleagues had a field day by deriving vicarious pleasure in trying to pitch one against the other. Petty matters became the cause of verbal battles in meetings and there was a desperate bid to gain control. The strange end to this was that Varun got frustrated and quit after indicating his total disappointment with the organisation's inability to meet his needs. Chetan, meanwhile, could not give vent to his feelings and became a disgruntled, mediocre person who barely managed to perform his work efficiently.

Again, the same story was repeated. The organisation, whatever be the reasons, lost talented professionals. Could this have been prevented? To treat the 'twins' as one entity and expose them to the same challenges is a big mistake and harmful to their developmental process. Two individuals should be viewed from different angles.

To treat 'twins' as one entity and expose them to the same challenges is a big mistake. Two individuals should be viewed from different angles

The creation, nurturing and destruction of 'twins' is inevitable unless there is a conscious effort to anticipate areas of conflict and find ways and means of resolving them. With hindsight dawns the realisation that there were so many situations in which the individuals could have been saved. With proper counselling and intervention, the 'twins' could have matured and evolved into competent managers, who could benefit from and contribute to the organisation. An understanding boss along with supportive colleagues could have worked wonders. There is nothing more useful than a friendly chat.

These, unfortunately, are tough learning experiences in organisations and the only solution is that professionals should discuss issues which trouble them, quite openly. Mistakes and faulty judgements are inevitable when one is dealing with 'soft' processes. Being aware and taking corrective action in time will help prevent major catastrophes.

Maruti revs up again

By RAJIV SHIRALI

There is a new spirit in Maruti Udyog Ltd. (MUL) these days. Helped on by an obliging finance minister who recently hiked excise duties on rival auto makers, the public sector car manufacturer is readying to shift into top gear. Advertising has been aggressively stepped up. A larger, more powerful car with a luggage boot is to be launched two years hence. The search for export markets has been intensified. And a Rs. 20 crore R&D outfit is on the anvil.

The company has also received a vote of confidence from its Japanese collaborator, which has decided to raise its equity stake from 26% to 40%. And though it continues to be dogged by shortages of quality local components, its proposed production of over 100,000 vehicles in 1988-89 will give it a whopping 65% market share, leaving rival auto makers biting their nails in nervousness.

MUL is clearly on the fast track. It received a big boost when, in the Union budget for 1988-89, the excise duty on Maruti cars was retained at 25% *ad valorem*, but was raised from 25% to 30% on fuel-efficient cars of engine capacity exceeding 1000 cc. As a result, prices of Premier Automobiles' 118 NE and Hindustan Motors' Contessa Classic have risen by between Rs. 4,000-7,000. As the Maruti 800 is the only car to escape the duty, the other auto manufacturers have cried foul. S.L. Bhatter, president of Hindustan Motors (HM) and head of the Association of Indian Automobile Manufacturers, called the budget provisions 'totally discriminatory' and alleged that the government wanted to 'nurse' only its own car unit — MUL.

But that's not how MUL's managing director R.C. Bhargava sees it. Last year's budget, he points out, had raised the excise duty by 5% only on Maruti cars. And Bhatter had then remained silent as his company was not affected. "So whatever label you attach to this year's excise changes should in all fairness also be attached to the changes which took place in the last budget," says Bhargava. "What has happened this year only restores the relative levels of excise duties which existed before the 1987 budget." (In making two other tax changes, the government has been even-handed: the concessional rate of import duty of 55% on components for all fuel-efficient cars will remain for another two years, and the surcharge of one-twentieth of the basic excise duty is applicable to all passenger cars, as it is to a whole range of other goods.)

So far, the 800 cc Maruti has co-existed with the Padmini and the Ambassador, each having a niche of its own. The

Maruti's car assembly line: rising output

Maruti, with its fuel economy and lower price, spurred a new market segment which was earlier dormant. Whatever growth has taken place in the passenger car market has been grabbed by MUL (and the growth has been from 40,000 cars in 1983 to about 130,000 in 1987). Its sales of 75,246 cars and vans in 1986-87 gave it a whopping market share of 60%. But HM and Premier Automobiles Ltd. (PAL) have been selling just as many cars — if not more — as they were selling in the pre-Maruti days (22,479 cars and 26,833 cars respectively).

But Maruti's plans for a 1000 cc car with a luggage boot, to be launched in 1990, is a potential threat to the market shares of the Ambassador, Padmini, Contessa and Premier 118NE — more so as it is likely to cost about Rs. 1.25 lakhs and has a claimed fuel economy of only 1 km less than the Maruti 800's 24 km to the litre under standard testing conditions. If the new model expands the domestic market further as the 800 cc version had done earlier, MUL's stranglehold on the Indian motorcar market will be complete.

The government continues to dither over the long-awaited automobile policy; and rival proposals for the manufacture of the Citroen 2CV by Escorts, Honda Accord by Telco, Nissan Sunny by PAL and Isuzu Gemini by HM still await the starter's pistol. But MUL's own entry appears to have gained a head start. The project has already been cleared by the industry ministry and an inter-ministerial committee, and is shortly expected to be waved through by the Public Investment Board and the cabinet committee on economic affairs.

The new model is expected to round off MUL's product range, since the Maruti 800 is a hatch-back without a luggage compartment. A 'two-box' version of the car ('two-box' because it has the engine and passenger compartments but not the luggage boot) is already on sale in the US, Europe and Japan — where it is known as the Chevrolet Sprint, Swift and Cultus respectively. A version of these models has been developed by Suzuki Motors exclusively for the Indian market. A prototype was shown to finance minister N.D. Tiwari during his visit to Japan in mid-1986 (he was then industry minister), and in October that year MUL submitted its project proposal. (The prototype was also displayed at the trade fair in Delhi last November and was a big draw.)

Bhargava: agitations harm employees

SURVEY REVELATION

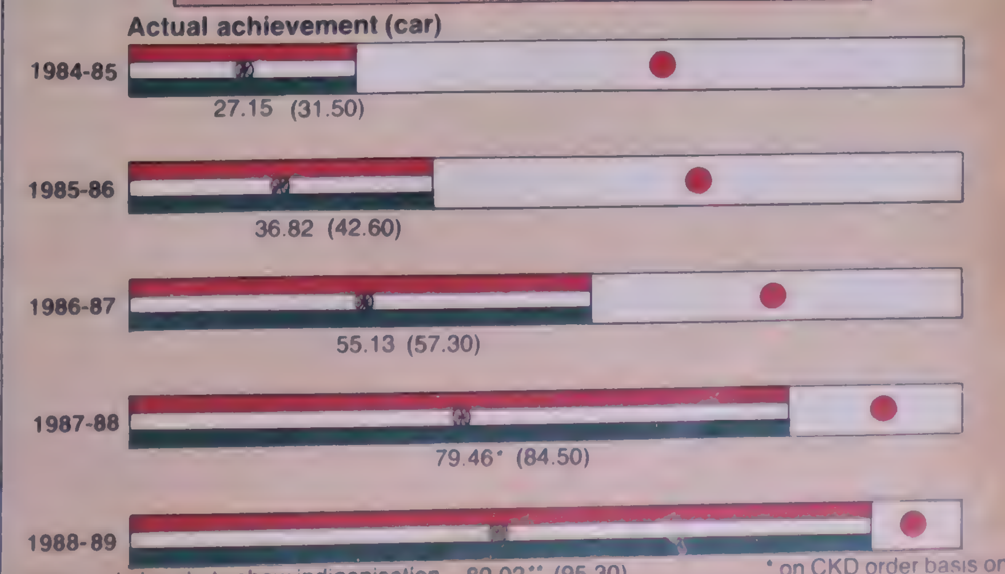
MUL was earlier considering plans to offer two options on engine size — 1000 cc and 1300 cc — in the same body. The project was originally estimated to cost Rs. 122 crores, about half of which would have gone into constructing manufacturing facilities for the 1300 cc engine alone (the company already has facilities for making 1000 cc engines as its four-wheel drive Gypsy uses this engine). But the 1300 cc engine option was shelved after a survey by the Indian Market Research Bureau revealed that while a 1000 cc car with a luggage compartment would find a good market especially amongst institutional buyers and taxi owners, a higher-priced 1300 cc car might not prove a hot seller.

With Suzuki Motor Co. (SMC) having decided to raise its stake in Maruti's equity from the existing 26% to 40% (the maximum permitted by the agreement between SMC and the Indian government), MUL has received yet another shot in the arm. SMC president Osamu Suzuki had travelled to India last November to make a formal application for the purpose, and he and Bhargava had then announced that since the three-box car project required an additional investment of Rs. 93 crores, a higher equity participation by SMC would be necessary. The $14 million which Suzuki will inject into MUL's equity will account for most of the foreign exchange component of the additional investment. The balance is to come from hoped-for exports of 4,000 cars a year, while the rupee component is to be generated from MUL's internal resources.

Meanwhile, the company's production has been growing by leaps and bounds, though the momentum slackened somewhat in the past year. It was 22,372 vehicles in 1984-85, more than double that at 51,580 vehicles in 1985-86, and up by another 55% to 80,150 in 1986-87. Turnover also rocketed to Rs. 630 crores in 1986-87, from Rs. 124 crores in 1984-85. Growth in 1987-88 was a more modest 15%, production rising to 92,500 vehicles. Despite these impressive increases, output in 1986-87 was short of the target of 85,000 vehicles —almost entirely due to shortages of local components which led to frequent assembly line closures.

For the same reason, the target for 1987-88 was scaled down from 108,000 vehicles to 100,000 and again to 97,500 — though an additional reason for this was that near stagnant sales of vans and Gypsys had forced production cuts. Sales of the Gypsy, in particular, were so sluggish and unsold stocks of this vehicle had risen so high (see box p.45) that its production had to be suspended for several months. But even this scaled down target was not achieved: 1987-88 output was only 92,500 vehicles, and finance director S. Natarajan expects the turnover to fall

Cumulative indigenisation (%)



(Figures in brackets show indigenisation

* on CKD order basis or

short of the projected Rs. 800 crores by as much as Rs. 50 crores. This was an unfamiliar situation for a company which had raised the production target for 1985-86 by 25% above that stipulated in the project report, and exceeded even the revised target.

DETERIORATING RELATIONS

Poor industrial relations were also to blame in 1987-88. A near two-week go-slow and a two-day strike by workers demanding production bonuses, housing and a better promotion policy cost MUL six-and-a-half days in lost output in March this year — embarrassing for a company trying to usher in a new work culture. According to Bhargava, industrial relations have deteriorated because two factions in the union struggling for supremacy gave workers "inflated ideas" about what kind of production bonus they could secure (there had been relative industrial peace under earlier leadership).

Workers were also persuaded that more could be obtained through a strike than by sitting across the table and negotiating with the management. But the management took a tough line, the go-slow fizzled out and the workers went back to work in the third week of March. "I think the employees have realised that this kind of agitational approach has caused them harm rather than brought them anything extra," claims Bhargava.

But if the industrial relations dispute has been resolved — at least temporarily — director (materials) V.K. Mathur, who supervises the indigenisation programme, expects assembly line closures arising from shortages of local components to be a continuing problem. In the year gone by, MUL has been hit at one time or another by shortages of tyres, undercoat paint and propeller shafts (to take only three examples). But officials deny that this is a result of hasty indigenisation caused by pressure from the government.

Maruti's 1000 cc model: challenging established brands

Mathur: no indigenisation problems

They point out that the propeller shaft shortage, for example, arose because of a strike and a lock-out at the supplier's factory. Paint was in short supply because the Indian vendor was behind schedule by eight months and the DGTD sat over MUL's application to import paint because it thought that indigenous paint supplies were on the verge of commencing. As for tyres, many tyre manufacturers were strike-bound, and so there was all-round shortage of tyres. "So it has nothing to do with the pressure to indigenise, or indigenising something which local vendors were not yet ready to supply. Most problems have arisen subsequent to everything having been worked out," says Mathur.

DESIGN FAILURE

But he concedes that some local vendors have been found wanting, and that the fault in many cases has been a design failure. A year ago, for instance, Indian-made fuel pumps began to spring leaks, and several thousand had to be imported to get grounded Marutis on the move. Again, local shock absorbers were found to be noisy and the suppliers had to be asked to improve their design.

Mathur explains that local component manufacture involves developing not only design capability but also production volumes of the sort needed by MUL. Most Indian vendors lack both design capability and production capacity. Maruti therefore finds itself in a situation where, if a particular local component is not available in sufficient quantities, the balance has to be imported — often at short notice.

Maruti's defence is that when it appeared on the scene, vehicle manufacturers were operating at low volumes and levels of technology, and the component industry could not be any different. Before Maruti came along, the country's passenger car output was a mere 40,000 units. This year MUL alone is set to manufacture over a lakh vehicles, which means that in just four years the component industry not only had to upgrade technology in almost every area, but also quadruple production capacity and adhere to much stiffer quality standards. And it just hasn't been able to cope.

Component manufacturers were initially skeptical about how MUL would shape up (given its political origins and its disastrous record in its earlier incarnation) and delayed their investments until they were sure that it would be a going proposition. And by the time they started making their investment decisions, MUL's production was growing exponentially. Mathur argues that Maruti alone has not suffered; other auto makers like HM and PAL, which have introduced new models recently, have also faced similar problems. Production of PAL's 118NE, for instance, is behind schedule because local components are not available in the necessary quality and quantity.

For all these reasons, MUL's indigenous content has been consistently behind target (see chart p.43). The project report had projected a local content of 31.5% by March 1985, but actual

Gearing for the market

Maruti is changing gear. So far the company has been operating on a manufacturing mode — selling its cars has never been a problem. But with both the van (now renamed Omni) and the four-wheel drive Gypsy having bombed, the accent is shifting to marketing.

The van had its problems: it was less fuel-efficient than the car; its doors rattled; the rear seat was uncomfortable; and the location of the battery made it highly inaccessible. Its stablemate — the Gypsy — was operationally more expensive than the Mahindra's diesel jeep as it ran on petrol. Moreover, the company until recently offered only a soft-top version when what customers wanted was a hard top. The Gypsy was also poorly positioned — it was aimed at the adventure-loving (sporty) segment, when the real market was institutional buyers like the police, paramilitary and defence forces and government departments.

Sales dropped alarmingly. Cancellations for both exceeded 50% of bookings, and the management was forced to offer them off the shelf far sooner than expected. Bookings totalling 1.20 lakhs for the van in 1985 had encouraged the management to increase production targets, but after the launch it was forced to drastically curtail output. In the case of the Gypsy, production had to be suspended altogether for several months. Despite all this, at one stage every available inch of parking space in the factory was chockfull of unsold vans and Gypsys.

Taking action. The glut, and the newly-hired advertising agency Hindustan Thompson Associates (HTA) finally pushed MUL's lethargic marketing set-up into taking action. The van was given a brandname (Omni) because the term 'van' created a negative image in the minds of potential buyers. The technical problems are being sought to be remedied (with little success so far). And an effort is being made to expand the van market by developing utility versions such as taxis, delivery vehicles, ambulances (again, with little success yet).

For the Gypsy, a special cell has been set up to push sales to institutional and government buyers — this is one of the few initiatives of the management which has yielded results. Says Bhargava: "It is because of this special cell that Gypsy sales have picked up substantially in the past few months. Not only did we liquidate the large inventory which we were carrying, but today we also have more orders than we can supply."

But what has probably helped more than anything else are the aggressive, hard-hitting advertising campaigns for the Omni and Gypsy, created by HTA.

The Gypsy: stagnant sales

The agency was signed up in late 1987 after Rediffusion, Maruti's existing agency, was found ineffective (Rediffusion has now been assigned corporate advertising which amounts to hardly anything.).

Bhargava explains that the purpose of the campaign for the van (and the brandname) was to give it an identity and position it properly. "There was a certain amount of ambiguity about the vehicle — was it a car, or a commercial vehicle or something in between." In the case of the Gypsy, the objective was to dispel the impression that the vehicle wasn't rugged enough — an impression which resulted from the Gypsy's "shining, well-painted looks."

Revised estimates. Both campaigns appear to have had an impact. Says Bhargava: "Before the campaign was released, the total anticipated requirement of all our dealers for 1988-89 was about 27,500 Omnis. After the campaign had been running for some time, a number of dealers said they wanted to revise their estimates because customers had shown greater interest. We asked all of them to submit revised figures. And these tot up to a little over 36,000. The same thing has happened with the Gypsy. There has been an increase of about 25% in the dealers' assessment of demand."

So advertising has finally become an important tool in the marketing of four-wheelers. But sales of the 800 cc Maruti are not yet a problem — the production of the car is pre-sold for the next two years, and unlike the Gypsy and the Omni, the standard model is not yet available off the shelf. Demand for the Omni had plummeted after the price hike following the excise increase in the 1987 budget. But, according to Bhargava, the steep rise in the price of the Maruti car (54% in four years, from Rs. 47,500 ex-factory to Rs. 73,260 with another hike in the offing in mid-1988) has not yet dampened demand. "If offtake by customers continues to be as buoyant as it is today, we may have to open fresh bookings at the end of next year," says Bhargava. But that will almost certainly be the last one. After that, MUL will have to work hard to sell every car.

"As a leader in business, I am here
o set an example...
I am very careful, very selective...
bout my official dealings, my reputation.
Even my associates.
Naturally, when it comes to general
nsurance I prefer the leader as well.
New India, of course."

Leaders have a habit of gravitating towards
aders. That's why New India is the company of
oice for most.

Today, it's a company with a Rs. 500 crore
emium, with a national and international
esence. Amongst its clientele are the largest,
ost successful business houses...

As well as people from all walks of life,
ery section of society... both urban and rural.

Because New India has innovated many insurance covers. The range exceeds 75... to meet any and every need. Through a giant network of over 1000 offices in India and abroad.

To retain leadership, New India offers something special with every cover...

The personal touch...

A genuine concern for each and every customer shared by 4000 inspectors and the over 16,000 strong New India family. Internationally.

You name the risk. We insure it.

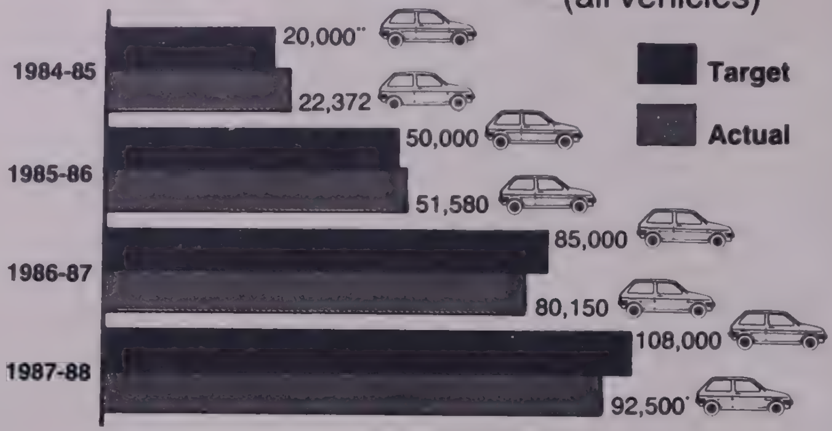
NEW INDIA ASSURANCE

A subsidiary of the General Insurance Corpn. of India

New India range of assurance covers:
ustrial: Business Interruption, Loss of Profit, Third Party Liability, Public Liability, Machinery, Boiler and Pressure Plant, Workmen's
npensation, Contractors' All Risks, Marine-cum-Erection, Money in Transit, Product Liability. **Commercial:** Fidelity Guarantee,
ine, Combined Fire and Theft, Professional Indemnity. **Personal:** Mediclaim, Unborn Child, Personal Accident, Householders' Policy.
al: Livestock, Agricultural Pumpset, Janata Personal Accident, Gramin Personal Accident. And many more...

CONTOUR ADS-NIA-29G/88

Maruti's yearwise production
(all vehicles)



* Estimated

** Project report target; the rest are revised targets

Source: Company records

achievement was 27.15%; in March 1986 it achieved 36.82% compared to the target of 42.6%; for March 1987 the target and achievement were 57.3% and 55.13% respectively; and for March 1988, they were 84.5% and 79.46%. The projection for March 1989 in the project report is 95.3%, but actual achievement is now expected to be no more than 89%. Says Bhargava: "The indigenisation which we achieve will not exceed 90%. It was never intended to reach 100%, because in terms of both quality and cost, it would not be wise to get to 100%."

QUALITY CONTROL

What has made things even tougher for the company is its decision (in line with the practice in Japan) of buying out as much as 77% of the value of each vehicle from component manufacturers, and making only the remaining 23% in-house. In-house activity is confined to basic operations like body stamping, welding, painting, engine and body assembly, and machining of critical engine components (engine block, cylinder head, crank shaft, cam shaft and transmission case). All these require a high degree of quality control. Since everything else is purchased elsewhere, the company has so far developed over 325 vendors who supply nearly 2,500 components, including such major items as wheels, tyres, brakes, clutches, pistons, flywheels, gaskets, starter motors, alternators, seats, radiators, glass, rear axles, shock absorbers and suspension, ignition coils, batteries, lamps, wiring harnesses and spark plugs.

But developing local suppliers for the remaining components is expected to be even tougher, because these require high-precision technology and heavy capital investments. The company has therefore set up six joint ventures with private entrepreneurs to make glass, seats, steering gear, plastic moulded components, fuel tanks and pressed metal components. These six ventures were chosen on the ground that the components involved are critical to the quality of the vehicle, they require large investments and involve sophisticated technology. The first four of these ventures are already operational, while supplies of fuel tanks are due to begin in June and pressed metal components in November.

The joint ventures, in which Maruti has invested a total of Rs. 3.2 crores (its equity holding ranges from 10% in the case of steering gear to 24% in the case of fuel tanks), will eventually contribute a sizeable 15% to the indigenisation programme. Each of them has also had the benefit of technical knowhow from a Japanese auto component maker. All six have nevertheless been dogged by delays of one sort or another: delayed approvals for the phased manufacturing programme, delayed sanctions of term loans by the financial institutions, and delayed clearances for import of capital goods.

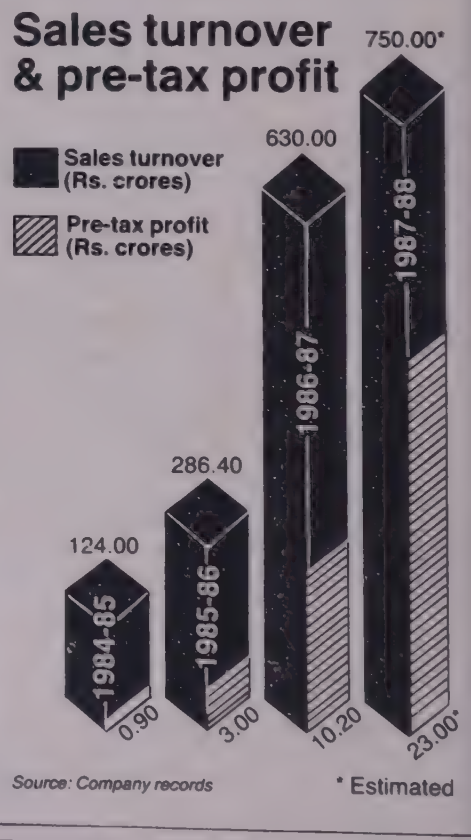
The glass venture with Indo-Asahi Glass was five months behind schedule because the financial institutions took their own time to sanction a term loan. And the fuel tank and pressed metal components projects are behind schedule by nearly a year each. In some cases, like steering gear manufactured in collaboration with Sona Steering, achieving the right quality proved elusive. A Maruti executive admits that some of the Indian parties to the joint ventures have not been up to MUL's expectations — which is not surprising, for the selection of three of the six had raised eyebrows in the company.

A TALL ORDER

The increasing local content of its vehicles has enabled Maruti to reduce foreign exchange expenditure on the import of components from $150 million (Rs. 195 crores) in 1986-87 to $120 million in 1987-88, and this is expected to further fall to $80 million (Rs. 104 crores in 1988-89). But with local content unlikely to exceed 90%, there will be a continuing outflow of foreign exchange, the exact amount depending on the scale of production. Taking $3,500 as the average price of the different kinds of vehicles made by Maruti, a 10% foreign content would involve an outflow of $350 per vehicle, or a whopping $35 million for an output of 100,000 vehicles. And if Maruti is to ensure zero foreign exchange outflow, it will have to export at least 10,000 vehicles a year — a tall order by any yardstick.

Having attracted criticism for this heavy foreign exchange outflow, MUL has been anxiously searching for export markets. The company also reckons that the rapid growth in the domestic passenger car market from a mere 40,000 to 130,000 vehicles in just four years cannot be sustained and will soon taper off. If

Sales turnover & pre-tax profit



Source: Company records

* Estimated

he car market stabilises at 150,000 vehicles a year and grows at a mere 5% a year after that, Maruti will be left with no avenues for future growth once it begins to produce at peak capacity. Indeed, the decision to make the three-box car has been partly motivated by its export potential — the company hopes to export 4,000 of the new model's annual output of 30,000 units.

In September 1987, 500 cars valued at $2 million were shipped to Hungary (the first passenger cars ever to be exported by India) and, according to an agreement signed with that country in March 1987, this will eventually be raised to 5,000 cars a year. But there are hurdles aplenty. The second shipment to Hungary has yet to materialise because the agreement stipulates that Maruti should balance at least 500 cars with imports of Hungarian automobile components. The components are expected to arrive later this year and the second shipment of Maruti cars to that country will follow afterwards. Further exports are a dim possibility, because they have to be balanced through imports of other engineering goods by India, and will depend on the success of other sectors of engineering cooperation between the two countries.

LUKEWARM RESPONSE

Smaller lots of 50 or fewer cars have also been exported to Bangladesh, Nepal and Sri Lanka, and Bhargava expects Sri Lanka at least to be a regular customer. The possibility of exporting vans to Bangladesh is also being explored. Talks have been held with Mauritius, Malta and a number of East European countries. Bhargava had visited Yugoslavia, Czechoslovakia and the German Democratic Republic (GDR) last year in a bid to push exports, and all three countries have tested the Maruti car. The response from GDR is believed to have been lukewarm, and the Czechs — to whom MUL has made an offer — haven't responded favourably either, though Bhargava still hopes a deal will materialise.

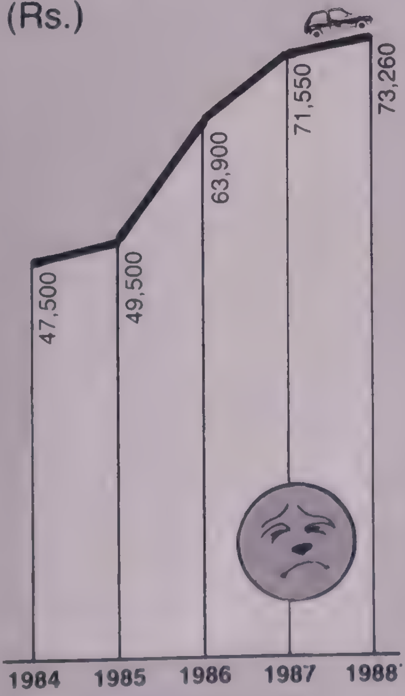
A planned sale of 500 cars to Nigeria, which at one time looked as though it was all sewn up, fell through because the Nigerians suddenly discovered that they did not have enough hard cash. Yugoslavia, however, has shown more interest. "We've signed a purchase agreement with them and we hope to make the first shipment to Yugoslavia later this year," says Bhargava. Maruti has also arranged with the State Trading Corporation (STC) to utilise the latter's offices abroad to locate markets, and possibly even sell cars under countertrade proposals which the STC is seeking to negotiate in different parts of the world. But this arrangement has yet to fructify.

But Maruti's bottomline is healthy, and this is one area where the company has been innovative and is ahead of the targets set out in the project report. The project report had projected a loss until 1987-88, but the company earned a profit of Rs. 9 lakhs in the first year of operations (1984-85), and the pre-tax profit in 1987-88 was Rs. 23 crores, more than double that of the previous year. Even the production shortfall in 1987-88 did not hit profits. Says Natarajan (quoted earlier): "We anticipated the production shortfall and went in for short-term buyer credits which helped us to keep our profits intact."

ENORMOUS SAVING

Natarajan explains that cash management has improved, the company has been judiciously taking forward covers, and money has been saved on bank charges and LC charges. A $75 million loan taken in 1983 has also been paid back in advance because interest rates have fallen steeply and a fresh loan of Y 5 billion has been raised at the current lower interest rate. "The earlier loan of $75 million was taken at an interest rate of Libor plus three-eighth. Libor was then at 11%, but it once fell as low as 6.8%. The new loan is at Libor minus 0.75%. So the interest saving is enormous," explains Natarajan.

Price of Maruti standard model car ex-factory
(Rs.)



*Further price revision likely in mid-1988 after the impact of the steel price hike and the appreciation of the yen have been assessed.

Source: Company records

Natarajan: enormous savings in interest

Meanwhile, the company is preparing to sign a memorandum of understanding (MOU) with the government. A draft MOU setting out targets for production, turnover, profits and investments over the next five years was submitted in end-March. The draft sets out two alternative scenarios. One assumes restrictive government policies in the areas of excise duties, petrol price and petrol availability, and provides for modest growth and an annual output of only 110,000 vehicles in five years. The other assumes more liberal policies and provides for expanding domestic and foreign markets, and an annual production of between 135,000 and 150,000 vehicles.

"Which of these scenarios will come about depends on what kind of automobile policy the government is willing to follow, because the demand for cars is very much influenced by government policy," says Bhargava.

The new automobile policy, if it is ready, has not yet been made public. But reports have it that no new foreign collaborations will be permitted in the passenger car industry, because the government is convinced that there is enough capacity to meet demand for the next several years. That means no Citroen, no Honda Accord, no Nissan Sunny and no Isuzu Gemini but a resounding 'yes' for Maruti's 1000 cc car. Inevitably, it's the high road for Maruti. BW

Floor shows

GITA MANIAN

In the selection of construction materials such as tiles, there has been little choice for end-users (builders, architects or would-be house-owners) until quite recently. The floor, in fact, has not attracted the attention of the marketing fraternity, primarily because the ceramic tiles industry had been dominated by two companies (Somany Pilkington and H&R Johnson), whose main product, glazed ceramic tiles, was intended mainly for kitchen walls and bathrooms.

All this has changed considerably since 1985, when the technology of "single firing" was introduced by Spartek Ceramics (I) Ltd., which offered considerable advantages over the entrenched "double firing" process (good enough only to make the thinner, smaller and lighter tiles used in bathrooms).

Flooring in India has a hierarchy of quality. At the lower end, there are the rough and crudely cut stone slabs typically quarried from places such as Kota and Shahbad, which are very cheap, averaging around Rs.5 per sq ft. At the middle level, there are the colourful mosaic tiles manufactured by the small-scale sector, with a better finish than rough stone, but which need polishing for use as floor covering, and these are more expensive, averaging Rs.10 per sq ft. At the top end are the premium products — marble and granite stones of great beauty and durability — priced well above Rs.20 per sq ft.

SUCCESSFUL ENTRIES

Ceramic floor tiles fall between the middle and top end products, with prices varying between Rs.15 and Rs.20 per sq ft. Of the entire floorings market, estimated at around Rs.200 crores in the middle and premium segments (the size of the lower end of the market is not known, since it is not subject to organised market attention), the high quality marble and granite segment is quite small (around 5% of the total). The growth rate in demand for ceramic floor tiles on the other hand, is estimated at around 15% per annum and this has, till recently, been a vastly untapped market: the total production of ceramic tiles is barely around Rs.40 crores a year currently. However, with the successful entry of Spartek, the floor is being taken by more and more players — Bell Ceramics, Kajaria Ceramics and Regency Ceramics among them, with another dozen potential hopefuls waiting in the wings. The advertising campaigns for ceramic flooring that are increasingly indicative of incipient competition are pointers to the dynamism of this specialised consumer durables market and its immediate potential in the next few years.

Spartek, being the first to take the floor, is, naturally laying claim to be the manufacturer of "India's largest selling ceramic floor tiles." The most voluminous consumption of floor tiles is narrowly concentrated in the metro cities, with Bombay alone cornering some 40% of the ceramic cake. Predictably, the advertising media selected are the press and television. Conditions have been highly favourable for the rapid growth of Spartek — in the second year of its operations, the company showed a growth in volume of 70% plus over the first year (16,280 tonnes as pitted against a licensed capacity of 12,000 tonnes, which the company now aims to increase to 26,000 tonnes). New companies entering the field are pegging licensed capacities at 20,000 tonnes on an average.

Spartek's press campaign highlights the various qualities that ceramic tiles offer as advantages, while playing down the more superficial "mere good-looking" approach. The captions indicate that "there's more to Spartek floors than just good looks." The individual press advertisements focus on the qualities: being stain-proof, anti-slip, scratch-resistant, fire and heat-resistant; ease of maintenance, ease of laying and size options and shades. Visually, the themes are substantiated by a ballerina (slip-proof), a torch-wielding performer (fire-resistance), a child with spilt ink (stain-proof) and so on. Each of these qualities presents an advantage over mosaic tiles, which are generally three times as heavy (as ceramic tiles), though less expensive.

The intentional de-emphasis of the tiles' decorative value is to dispel the popular notion that ceramic tiles are luxury products intended to cater to the affluent; this notion has led the government to impose an excise duty as high as 50% on ceramic tiles. Add on the burden of sales tax and octroi, and the average ceramic tile winds up with a tax component of some 60%-75%, while the mosaic tile turned out by a small-scale manufacturer attracts no duty.

All this strangulates the high potential of the ceramic tiles market, but the willingness of so many companies to enter the arena anyway, is proof that the target of around 2 lakh tonnes expected to be achieved per annum by 1989-90 may well be exceeded. In fact, the government's pragmatic policy of delicensing the ceramic tiles industry in 1985 has been a catalyst for the boom, in spite of the superheavy tax rates.

The Spartek campaign: highlighting quality

There's more to Spartek Floors than just good looks...
SPARTEK
hey are stain-proof too!
India's largest selling ceramic floor tiles

Kajaria Ceramics Ltd., which is still to go into full production, already advertises the "Birth of perfect floors." The press campaign talks of the company's collaboration with Todagres of Spain, reputed to be world leaders in ceramic tile technology, and of machinery imported from Sacmi & Omis of Italy. In fact, the Italian connection is evident in many of the ceramic tile projects, Italian experience in manufacturing tiles being an internationally recognised attribute. In fact, the nexus with Italian tile quality forms the complete backdrop for yet another eye-catching ceramic tiles campaign from Regency Ceramics Ltd., the Hyderabad-based company that chose to follow the tile track laid by Spartek.

AESTHETIC APPEAL

The Regency advertisements are unabashedly reverential about the Italian connection. "Viva Italia! Only the Italians could bring you a floor as beautiful as this. With five little words of advice ... Please. Don't handle with care," goes the caption, which is pinned on the visual of a breath taking balcony, apparently in an Italian villa, featuring a pastel-shaded sunlit floor. The product is even called "Regency Italian ceramic tiles." The copy accompanying the ad explains that the tiles are being manufactured in collaboration with Welko Industriale, the number one Italian company in the world (it is not clear what the "number one" refers to). The bottomline, "Choose the toughest floor. For the most beautiful reasons" points to the distinction in the Regency campaign: here, in sharp contrast to the Spartek approach, the ads create an aura of sophistication, with the accent being on aesthetic appeal, the European background and durability.

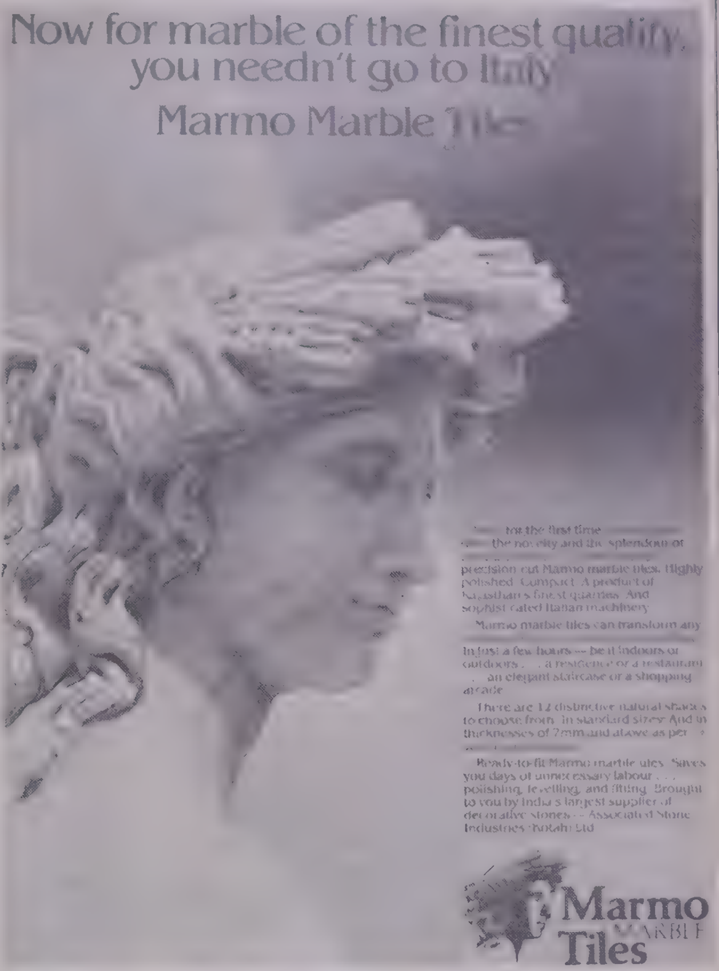
> **'There is much to look forward to in the arena of ceramic constructional products... considering the size and scope of investments in ceramic tile projects, the near future should witness some exciting ceramic floor shows'**

The Regency interest in the domestic market has come about only after the company found that it could make no headway in the export market, the company having been originally planned as a completely export-oriented venture. Currently, the export obligation for ceramic tile manufacturers is down to 30%, since the international market for ceramic tiles is particularly tough to penetrate.

While the Regency campaign emphasises class without any attempt to touch upon the vital issue of economy and price, other campaigns address this issue, though not quite convincingly. For example, Bell Ceramics has a subdued and somewhat diffuse advertisement with some laboured attempt at versification ("Ding Dong Bell ... What does it spell. Tiles for palaces ... Tiles like in Rome ... Tiles in offices ... Tiles for every home."). The visual consists of a rose placed on a background of tiles with tinted rose representations. The base line "where good living costs less" is a possible indicator of economy, but does not match the direction of the rest of the ad.

CREATIVE BLEND

The marketing emphasis in this ad is not clear — what is it that the company wishes to offer would-be consumers? Apparently, there is another Italian connection, this time with Societa Impianti Termo-elettrici Industriali SpA , about whom nothing is elaborated in the campaign. Judging from the company reports, the technology being used by Bell is of the very latest vintage — the plant incorporates the latest double-deck single firing technology for parallel multiproduct manufacture; it is gas-based; it is to have modern equipment for spray drying, automatic glazing, printing, selection and packaging. All this could be creatively blended into a strong and appealing campaign that may bring to life the promise of high quality for lower cost.


Now for marble of the finest quality, you needn't go to Italy
Marmo Marble Tiles
Marmo
MARBLE
Tiles

[illegible] for the first time [illegible] the novelty and the splendour of [illegible] precision cut Marmo marble tiles. Highly polished. Compact. A product of Rajasthan's finest quarries. And sophisticated Italian machinery.

Marmo marble tiles can transform any [illegible] In just a few hours — be it indoors or outdoors ... a residence or a restaurant ... an elegant staircase or a shopping arcade.

There are 12 distinctive natural shades to choose from. In standard sizes. And in thicknesses of 7mm and above as per [illegible]

Ready-to-fit Marmo marble tiles. Saves you days of unnecessary labour ... polishing, levelling, and fitting. Brought to you by India's largest supplier of decorative stones — Associated Stone Industries (Kotah) Ltd.

Marmo tiles: an edge over flooring material

The narrow top of the ceramic tiles pyramid has few branded products. One of these is Marmo Marble tiles, marketed by the Associated Stone Industries (Kotah) Ltd. The advertising talks, once again of Italy, this time in contrast with India: "Now, for marble of the finest quality, you needn't go to Italy! " The copy goes on to describe "the novelty and splendour of natural marble ... a product of Rajasthan's finest quarries. And sophisticated Italian machinery." The accompanying visual is that of a marble bust representing an elegant woman. The utility of these marble tiles is not, however, restricted to flooring alone — staircases, walls, table tops, counters and bathroom settings are other possible application areas. This is one aspect that gives marble stones (of the ready-to-use variety) an edge over floor tiles, and the Marmo campaign makes it a point to highlight this in a series of panels.

There is much to look forward to in the arena of ceramic constructional products, particularly since the market for better quality housing, hotels, office buildings and architectural creations is an ever-expanding opportunity. Considering the size and scope of the many ambitious investments in ceramic tile projects, the near future should witness some exciting ceramic (and other) floor shows.

TVS Confidence

Reflected in the support of over 10,00,000 satisfied customers, 27,000 dedicated employees, and 1,36,000 discerning investors.

LAC Lakshmi Auto Components is a safe new venture that makes sound investment sense.

LAC is a new company promoted by TVS-Suzuki for the manufacture of basic auto components. Set up at a cost of Rs. 16.60 crores – of which TSL will contribute Rs. 3.92 crores and borrowings account for Rs. 10.60 crores – LAC has inbuilt strengths that make it a sound investment proposition.

1. **LAC is part of India's largest auto components group – TVS**

TVS are leaders in the Indian auto ancillaries industry, with a turnover of over Rs. 850 crores, and 75 years of experience. A group that includes companies as well known as **Lucas-TVS, Sundram Fasteners, Wheels India, Brakes India, Srichakra Tyres, Sundaram-Abex, and Sundaram-Clayton.** Which is proof of LAC's pedigree.

2. **LAC will manufacture components vital for two-wheelers**

Crankshafts, connecting rods, gears and cylinder blocks. Parts without which the two-wheeler cannot function. Taking LAC to the very core of the industry.

3. **LAC already has an assured market**

In the 3,00,000 two-wheelers that will roll out of TVS-Suzuki every year. Being import substitutes, its products will help conserve valuable foreign exchange.

4. **LAC has manufacturing flexibility to meet varying requirements**

With a flexible plant design and the country's most advanced machine shop and heat treatment plant, LAC can meet the needs of other two-wheeler manufacturers like Escorts. With minor additional investments, it can serve the four-wheeler segment too.

LAC's components will meet the high quality standards of Suzuki, who will be transferring technology to LAC through the promoter company.

Issue of 20,79,930 equity shares of Rs 10 each for cash at par.

HIGHLIGHTS

- **From the House of TVS – the country's premier auto components manufacturer.**
- **Essential components for the new generation of Indo-Japanese vehicles.**
- **Access to latest technology of Suzuki, Japan.**
- **Import substitution products.**
- **Listing at Bombay and Madras.**
- **Tax benefits – 80CC, 80L, 80M and Wealth Tax benefits.**
- **High growth potential.**
- **Commercial production commenced.**
- **Entire production tied up in the initial years.**

Managers to the Issue:

SBI Capital Markets Limited
202 Maker Towers 'E'
Cuffe Parade, Bombay 400 005.

CHAMPAKLAL INVESTMENT & FINANCIAL CONSULTANCY LIMITED
Oriental Chambers, 1st Floor
703 Anna Salai, Madras 600 006

Registrars to the Issue:

Harita Investments Private Limited
Jayalakshmi Estates
4th Floor, 8 Haddows Road
Madras 600 006.

LAC
Lakshmi Auto Components Limited
Regd. Office: 8 Haddows Rd.
Madras 600 006.

Sound investment sense that's typically TVS.

R K SWAMY/LAC/3412 B-R

Immunising computers against viruses

Nobody is immune from computer viruses. Governments, universities, major corporations and individual home computer owners have all been hit by various strains of this insidious plague. Computers that link into public computer networks are, however, particularly vulnerable. In the US there have been several reported cases of viruses spread through the "bulletin board" computer communications systems that many computer hobbyists access. Rogue programs or data files containing viruses can be fed into the system either accidentally, by an unknowing employee, or deliberately by somebody intent upon disrupting the operations of a corporation. Hidden within an innocent-looking game program or sent by way of an electronic mail message, viruses can be introduced into the memory of a computer. It is virtually impossible to detect their presence until they begin to affect the machine's performance.

For corporate computer networks, with hundreds, sometimes thousands of people tapping into a system, program security is a major problem, experts say. Among the most difficult computer systems to protect are those that regularly accept messages and data files from remote terminals. The computers of newspapers, wire services and corporate electronic mail systems are obvious examples. Still more worrying, in terms of public safety, is the possibility that a computer virus, or "bomb" program could infect the extensive computer networks of government agencies.

COMPUTER CRIMES

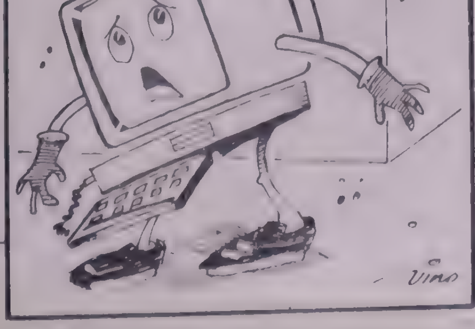
A rash of computer virus attacks in recent months has heightened fears of an epidemic. Already, several major corporations have taken steps to try to protect themselves. "They have been frightened by reports of computer crimes and they know that they are vulnerable," says Don Parker, a computer security consultant at SRI International. Quantifying the computer virus problem is, however, impossible, says Parker. "There are no valid statistics available," he explains. SRI had recorded 20-30 serious incidents of "software crimes" over the past 15 years, but many, perhaps most, victims of computer viruses prefer not to talk about their problems. Businesses do not want to reveal their vulnerability and other computer users are afraid that they will be ostracised by network users afraid of "catching" the virus.

Nevertheless, three serious virus attacks have recently come to light. One of the most serious occurred in Israel late last year when a computer virus containing a "time bomb" set to destroy data files was used in an apparent political protest. The virus infected several computers at the Hebrew University in Jerusalem and may have spread into commercial computing systems. This has caused widespread panic among computer users, according to Israeli reports. The virus was detected when computer programs began to overflow their memory disks for no apparent reason. The virus was spreading and replicating itself hundreds of times, expanding the size of program files. Although programs designed to "kill" the virus have been widely circulated, there is still some concern that the time bomb, set for Friday, 13th May, may go off and destroy valuable data.

POTENTIAL FOR TERRORISM

The Israeli virus provides a frightening demonstration of the potential for "computer terrorism." Security experts fear that computer data could be "held hostage" by a virus program, or that critical data might be altered to create economic turmoil. To date most computer viruses seem to have been the result of pranks, rather than malicious threats. Still, they can cause major problems for their victims. At Lehigh University in Bethlehem, Pennsylvania, for example, a virus destroyed hundreds of program disks and erased the files of many student and faculty users of the university's computer laboratories. The virus was discovered last November, when an unusually high number of "faulty" program disks were returned to the computer lab libraries. Student consultants discovered that system files on the disks, which would normally not be changed, had been tampered with.

It took just one night to create a program that destroyed the virus, recalls Kenneth VanWyk, a computer user consultant at the university, but the damage had already been done. Avoiding a recurrence of the problem is difficult because most university computer labs are open to large numbers of students.



UNINVITED MESSAGES

In other recent virus incidents, personal computer user groups in Australia, California and Florida have reported infections ranging from "Peace and Goodwill" messages that flash, uninvited, on a computer screen, to programs that destroy any other program or data disk run on an affected machine.

Computer security experts differ over whether the computer virus phenomenon is a passing fad or the beginning of a major problem. "On the one hand, some of us think that the issue will fade away as soon as the news media gets tired of it," says Don Parker.

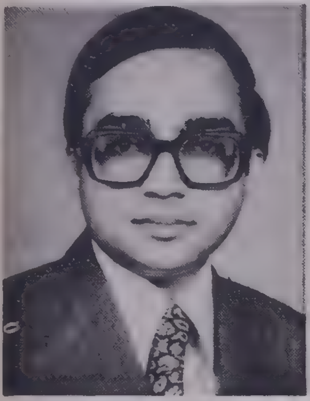
It is virtually impossible to protect a computer from viruses with absolute certainty. Several measures can, however, significantly reduce the risk. For the personal computer user, the most important thing is to avoid using programs of unknown origin. For corporate computer network managers, the problem is more complex. "We are advising our clients to take action to assure the trustworthiness of individuals who write software for them, and to be sure that programs purchased 'off the shelf' come in wrappings that ensure they have not been tampered with."

Other measures advised by SRI include using "test programs" that check the parameters of a program to see if it has changed since it was last used. New programs, the experts suggest, should be run first on an isolated computer system to minimise potential damage. One innovative approach to software "innoculation" was introduced this month by Lasertrieve Inc. of New Jersey. The company's "VirAlarm" system checks programs before they are executed on a computer and sounds an alarm if they have been infected by a virus.

Louise Kehoe
(By special arrangement with the Financial Times, London)

Understanding local area networks

T.A. BALASUBRAMANIAN



Not long ago, an office in India might have had only one computer, if it had any at all. Today, the proliferation of personal computers in offices is increasing the number of peripherals and problems involved in transferring information between computers. The local area network (LAN) is one solution to these problems.

A network is a means of communication between two or more processors. It has a common medium (such as coaxial cables, fibre optics or twisted wires), over which information may be transferred between processors. Since there is a common line, arrangements need to be made to decide which processor will use the line at a particular time.

The primary reason for using a network is to share common resources. The cost of a letter-quality printer can be close to the cost of the personal computer on which the document is prepared. The office with several personal computers can benefit from reduced capital and maintenance costs by sharing printers.

LANS are designed small, and can be used within a radius of about two miles or less. A network would be somewhat longer than the direct distance between two points, as the cable must be routed through walls and floors. The distance is limited by several factors, the most critical of which is the time required for signals to be transmitted from one end of the cable to the other, and the weakening of the signals due to resistance in the cable. Although they travel at the speed of light, the signals still take about 20 micro-seconds to travel two miles. In addition, there is a physical limitation to the number of nodes that can be connected to a network. This number depends on the type of network used, but the maximum is usually 256 nodes.

Disk systems. A hard disk unit (i.e. a Winchester disk) has a storage capacity which is 10 to 200 times that of a floppy disk, and costs about the same as a personal computer. The time it takes to access particular files on a hard disk is much less than that on a floppy disk, especially when one considers the amount of time spent in finding the correct floppy disk.

A network allows several personal computers to use the same hard disk unit. A processor (i.e. a disk server or file server) is connected to the hard disk unit and fields requests by other processors for access to files on the disk. A single back-up unit is required for keeping archival copies of files on the hard disk in case the device fails. Furthermore, if an office has acquired more than one type of personal computer, it is likely that some of the floppy drives may be incompatible (each manufacturer has his own method of storing data on a disk). By communicating information over a network by a standard method, these incompatibilities are avoided.

Electronic mail. Another benefit of a network is the ability to send electronic mail to each user. Messages created by a user are sent along the network to another user, either directly or via a central message handler. Multiple copies of a message can be easily sent to a distribution list, thus eliminating the need for a photocopy machine.

Networks can be classified according to three attributes: the physical layout of the network, the media and the method of control. Some of the most common physical layouts include the star, the ring and the bus. The various media — twisted wires and coaxial and fibre optic cables — differ in their capacity to transfer information. The control method determines which processor can talk on a network at a given time. Polling collision-avoidance/collision-detection and token passing are the means of control.

Processors on a network are comparable to people at a meeting. With the polling method of control, a central moderator is in charge . Each person who has something to say raises his hand. The moderator then decides who will speak. He may look around the room, allowing each person with a raised hand to speak in turn. Alternatively, after a person has finished speaking the moderator may check again for raised hands and assign them some priority before being allowed to speak. In the latter case, people with low priority (those farthest down the line from the first person), may never be chosen to speak. The advantage of polling is that it is relatively simple to implement. The disadvantage is that the central moderator may break down and halt the communication.

> **"The proliferation of computers in offices is increasing the number of peripherals and problems involved in transferring information between computers. The local area network is a solution to these problems"**

Collision avoidance and collision-detection systems act more like an uncoordinated meeting. Each person who has something to say first listens to see if anyone else is speaking; if no one is, he attempts to speak. If he hears only his voice, he continues talking. If he hears his voice being garbled (two people speaking at once — collision detection), he stops speaking and waits momentarily before trying again (collision avoidance). If each person waits for a slightly different period of time, then the person who waited the least will start speaking; the others will hear him and will not try speaking at that time. The disadvantage is that there is no limit to the amount of time that a person may have to wait before being able to speak.

The token scheme uses something that could be called a key which gives the person holding it the right to speak. Whoever has the key gets to speak if he has something to say, otherwise he hands the key to the next person. The key continues to be passed around, with each person getting to speak when he holds the key and being restricted to listening when he does not. The advantage of this system is that the maximum amount of time a person must wait before speaking can be pre-determined. The disadvantage is the danger that the key might be dropped, thereby eliminating some person's chance to speak.

In actual implementation, the key in a LAN set-up is called a token, which is a unique bit pattern that is passed from one processor to another. Each processor, in turn, either passes the token as it is, or inserts its message and then passes it.

Each computer, file/printer or gateway of a network is called a node. The string of information passed from one node to another is called a message. If a node has a long string of information to send to another node, it can be transmitted all at once. However, there is a possibility that noise or other disturbances on the line could scramble the message. If this happens, it would have to be sent again. As the length of a message increases, so does the probability of transmission problems.

The solution is to break long messages into shorter packets and send a series of these packets. If one packet is disrupted by noise, only that packet will have to be sent anew. All network schemes use some form of packeting. Each message carries with it the name of the addressee, which is copied on each packet.

IEEE standards. A network may use any combination of physical layout, method of control and media. The Institute of Electrical and Electronic Engineers (IEEE) has been working on three standard systems. The standards are intended to ensure that devices from various manufacturers will work together.

The first is a carrier-sense multiple access with a collision detection (CSMA/CD) system. It uses the collection-avoidance/collision-detection method with a bus architecture. The Ethernet, devised by Digital Equipment Corporation, Xerox, and Intel of the USA, is a popular system which implements this standard somewhat differently using a coaxial cable. Several firms are offering additions to personal computers that will enable them to get attached to an Ethernet. The bandwidth (amount of information that can be passed over this network) is 10 megabytes per second.

These three types of networks will standardise the lowest levels of passing information. The ISO (International Standards Organisation) has divided network transmission into seven layers. The physical layer determines the physical media over which the information will be transferred. This would be like deciding to meet in the same room, rather than using a conference hall. The data link management layer includes the method of control for determining who speaks (token passing, polling, etc.). Higher level layers that have not yet been standardised include the network, transport, session, presentation and application layers. These are analogous to setting the time of a meeting, the agenda, and deciding which language (English, French, etc.) will be used for communication.

Other standards. Besides the proposed IEEE standards, several manufacturers have instituted individual proprietary network systems that may be slightly different from the IEEE's approaches. Some of these require the purchase of only one type of computer — for example, the NorthNet standard set by North Star and CompuStar by Intertec Data Systems. Other standards allow you to attach various manufacturers' terminals or computers via an interface box to their network. Examples of these include Hi Net from Digital Microsystems, Omninet by Corvus and Hyperbus by Network Systems. Proprietary networks allow a user to quickly gain the benefits of networking without waiting for all the standards to be applicable throughout the industry.

Several computer vendors are offering networks using a standard bus (e.g. the S-100/IEEE-P696 bus). Between 2-16 single-board computers are plugged into this bus. One master processor acts as the file and printer server. Terminals are connected to each single-board computer via twisted pairs of cables.

Two other options available in networks are baseband and broadband. In a broadband network (e.g. WangNet), multiple channels operate at different frequencies simultaneously (similar to a TV with different channels). Each channel may be used for a local area network, or for pure video information (as a regular TV channel). The cost of a broadband network is higher, due to the frequency conversions involved, but its capabilities are far more advanced and expandability in the future greater, especially for non-digital information.

Three factors have to be considered while deciding whether an organisation will benefit from a LAN system: the number of personal computers that the organisation owns; the amount of data it stores using these computers; and how much communication is required between them. If the computers are used for local functions (word-processing and financial spreadsheets), a network might not be required. Instead, information can be transported by carrying a floppy disk from one computer to another.

If there is only a small amount of information to be transferred, a cost-effective solution is to transfer it over phone lines using a modem at each end. A modem is a device that allows computer communication over phone lines by converting information to frequency tones. Its limit is usually 1,200 or 9,600 bits-per-second (bps) as against over 1 million bps for LANS; therefore it is not suitable for large amounts of data.

If there is a great deal of information to be shared, either programs or data, then a network should be considered. It will simplify the flow of this information as well as help in updating the information regularly.

Network selection. Current needs and future flexibility play key roles in determining which network system to buy. If the computers are all from one vendor, and that vendor offers a proprietary network, it might be the most cost-effective solution. The manufacturer may also provide a gateway to other types of networks, thereby creating more options for the user. If there are several brands of personal computers in the office, a proprietary network system that supports all of them should be considered.

> **"If a great deal of information is to be shared — either programs or data — then a network should be considered. It will simplify the flow of this information, as well as help to update it regularly"**

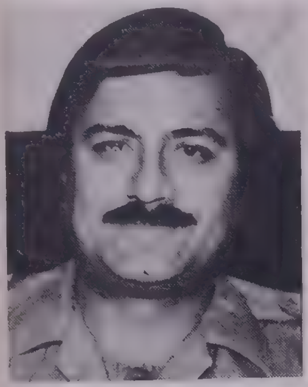
A bus-structured system can provide an inexpensive way of obtaining many benefits without an extensive initial investment. Many systems provide the support of standard operating systems while also functioning as networks. Deciding on a standard system may be a little easier. Ethernet is rapidly gaining widespread acceptance, with the initial support from DEC, Xerox and Intel having increased its popularity. However, if the application requires that a message be sent at definite intervals, a token-passing system is necessary.

Organisations that have two or more personal computers should consider using a LAN system. Selection of a network requires an analysis of the amount of information that will flow through it. The analysis determines the type of media that will be required. A study of the requirements for time-critical messages will help determine the type of network control required.

For simple systems consisting of a few personal computers and a file/printer server, almost any available network will handle the task. However, if there are more computers, multiple disk/printer servers, network gateways and other such considerations involved, expert advice may be necessary for choosing the right network system.

Products & processes

RANJIT HIRA



Human encounters will never be the same again. One of the world's leading Japanese electronics companies is going to revolutionise the way people communicate, and record personal encounters for immediate use and for posterity. It will soon be possible to use a palm-sized video-recorder, to make an audio visual record of any experience or meeting. The tiny size of the device permits recording while on the move. Instant playback will also be possible on an equally miniaturised and portable device.

VIDEO-MINUTES OF MEETINGS

Sony, Japan, has launched its new EV-DT1 VCR model which retails in the US for approximately $1,500 and combines a VCR with a 5-inch Trinitron colour television in a frame that is a little larger than a telephone. Busy executives can watch television shows and educational or training-oriented video programmes without physically moving over to a video room or to a mini-theatre. The VCR's compactness is achieved by its use of an 8-mm tape, housed in a cassette which is approximately the size of standard audio cassettes.

The TV portion is compact, because it uses Sony's recently developed short-neck Trinitron picture tube. This is the first application of this new tube.

The major drawback is that most pre-recorded video cassettes are available only on larger, VHS-type tapes. But Sony, which is deeply committed to popularising the 8-mm format, is trying to promote more widespread use of the EV-DT1 model. Sony's strategy may succeed, as it did with the Walkman audio-cassette players and the Watchman pocket TVS.

Sony plans to mate its new mini VCR-cum-TV with a palm-sized colour video camcorder. Sony expects businessmen, technicians and scientists throughout the world to start producing "video-memos" or start taking "minutes" of business or technical meetings. In fact, the system could be used by almost anyone, including children. A myriad applications can and will be thought up. Another related product in the pipeline is a hand-held VCR/TV with a 2.7-inch liquid-crystal display and an 8-mm recorder/player. This device will enable people to view their "video-memos" or "video-minutes," while on the move.

NEW PHONE RESPONDS TO VERBAL ORDERS

Southwestern Bell, USA, has introduced the FV-1000 Freedom Phone which can be activated by a caller's voice. Models manufactured by other telephone companies range in price from $200 to $1,650 but respond only to the voice of their programmer, and possibly those of one or two others. The Freedom Phone, which currently retails for $450, will dial a verbally requested number in response to anyone's voice. It has no number pad for manual dialling. To get through to numbers not stored in its memory of frequently called persons, the phone recognises spoken numbers for voice dialling. Busy executives, handicapped persons and even small children may find this instrument useful.

STEEL MOULD MAKING KNOWHOW

D.V.D. Japan Corporation, Osaka, is offering complete know-how and equipment for the manufacture of a vast range of steels, moulds and dies for the production of parts and components used in the electronic toys, electrical and houseware industries. These components, made of plastic and aluminium, are of international quality. The company also provides training in Japan or Taiwan, for potential manufacturers.

SKIMMED MILK TABLETS & CANDIES

The Quebec-based Conseil Nationale de Recherches Canada represents a Canadian company which specialises in the production of instant dry powdered milk. This company has developed and is already marketing a new generation of dainty titbits where the chief ingredient is dry powdered skimmed milk.

The flavoured solid candies and tablets are a natural source of calcium. Children consuming this candy get a dietary supplement. The product range is claimed to be competitive in taste and price with commercially produced "junk-food" products.

The company offering this product also makes tablets from skimmed milk which can be used as calcium supplements for adults.

WRAP-AROUND BLANKET

Northern Blankets Ltd., UK, has developed "The Sunbeam Snuggler," a heated wrap-around blanket which ensures that the wearer is kept warm. The blanket, which costs less to operate than an electric bulb, has a built-in monitoring system that is sensitive to body temperature, so that more heat can be sent to cold areas.

The ability of this system to switch itself off in small, localised areas while keeping other areas switched on, allows the blanket to continue heating despite being bunched up while being worn.

The blanket is made of soft acrylic weave and its generous size (1.27m X 1.52m) allows it to be wrapped around the whole body. It has two heat settings and its maximum power consumption is 85 watts. The blanket is washable by machine.

SAFE & VERSATILE EMULSION COATING

Quentsplass Ltd., UK, has developed "Seamless Seal Coat" a water-based emulsion for coating building materials which is used for sealing such materials as concrete, stone and asbestos to prevent the accumulation of dust and staining. It dries to a semi-gloss finish with good "non-yellowing" properties.

It is easily applied by brush, roller, applicator or spray-gun, as appropriate for the material being coated. Normally, two coats are required, but more may be necessary, depending on the porosity of the substrate. The area covered averages 34 sq metres per five litres per coat. Being a water-based acrylic polymer emulsion, the material presents no fire-hazard and comes in a one-pack system. The application equipment may be cleaned with water. The dry coat is resistant to cleaning chemicals and does not lift or crack under repeated freezing, thawing and hot cycles.

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THE NELCO

TURNAROUND

By PARTHASARATHI SWAMI

It had long been written off as a chronic case. Competitors scoffed, the share markets sneered and executives shied away when asked who they were working for. But today, the National Radio & Electronics Co. Ltd. (Nelco) seems to have bounced back into the reckoning. The Rs. 69.66 crore turnover (1987) Tata outfit has chalked up a 34% growth in sales, the accumulated losses have been wiped out and there is still a modicum of profits to transfer to the balance sheet.

But the figures tell only part of the story, for Nelco has been notorious for its performance flip-flops. What is more important today is that Nelco, at last, seems to know where it is going and how to get there. And everybody is working full lick to achieve the objectives in half the time.

"We're a set of charged-up people out here," says Nelco president and chief executive S.K. ('Bobby') Mukherjee. "My boys are working their guts out and they are having fun while doing so."

Anybody who has been keeping tabs on Nelco would be surprised at this state of affairs. Just two years ago it was considered a dead duck. After a brief sojourn in the sun between 1981 and 1984 (when it declared its only dividend in nearly two decades), the company seemed to have slumped back to its normal apathy. The next 18 months (the company changed its year-ending from June to December) saw it notch up losses of Rs. 1.25 crores. It would have been worse still but for a Rs. 1.36 crore profit claimed from the sale of the land on which the factory is sited. And 1986 gave little cause for cheer: there was again a loss of Rs. 26.92 lakhs.

So what explains the resurgence and the current euphoria at Nelco, so long the black sheep of the Tata empire? It is a happy combination of vision and mission: the vision of company chairman Ratan Tata and the missionary zeal with which his chief executive, Mukherjee, is translating it into reality.

"I believe that the losses we suffered in the eighties were purely a function of the then management changing the complexion of Nelco," says Ratan Tata. "We were trying to do too many things. We launched too many products on flaky assumptions. We made too many commitments. Basically, we got a case of indigestion. Everything was looked at short term. In a way, a lot of the kind of fabric we had tried to build in the company — putting in a base of technology and creating a capability — was destroyed. And this is what Bobby has been trying to rebuild.It is his job to effect the turnaround; I am there in a supportive role."

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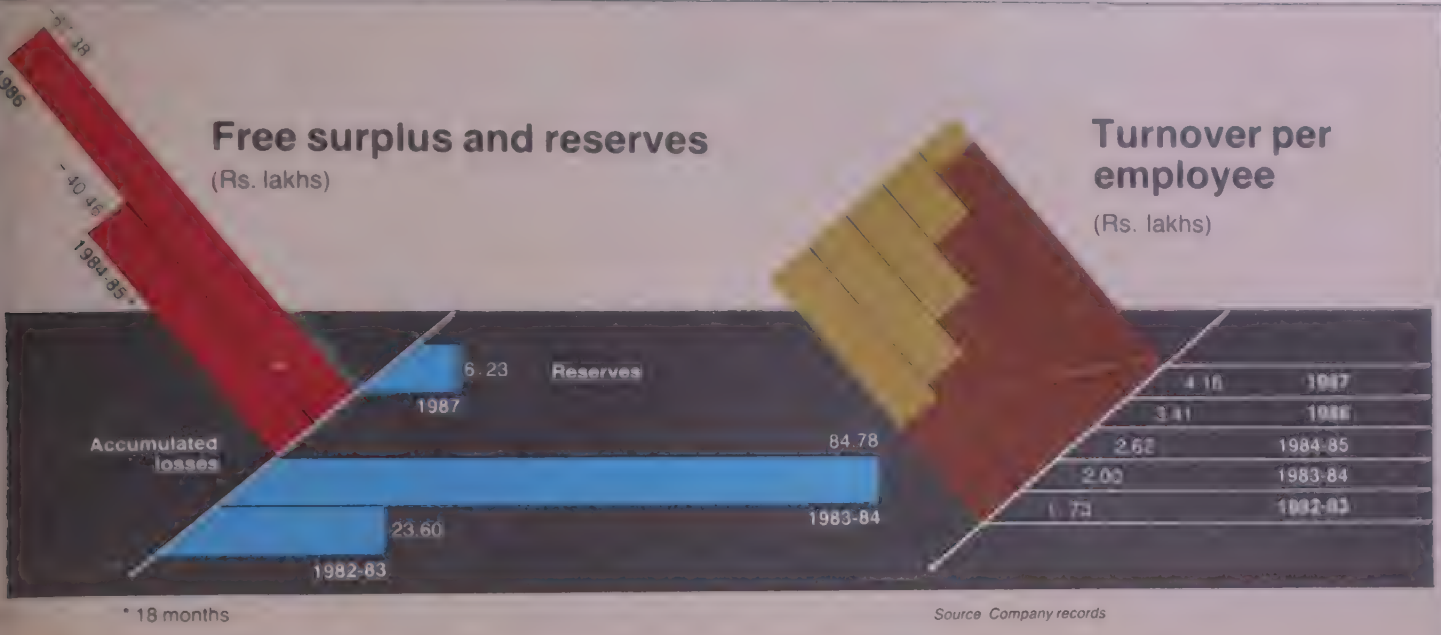


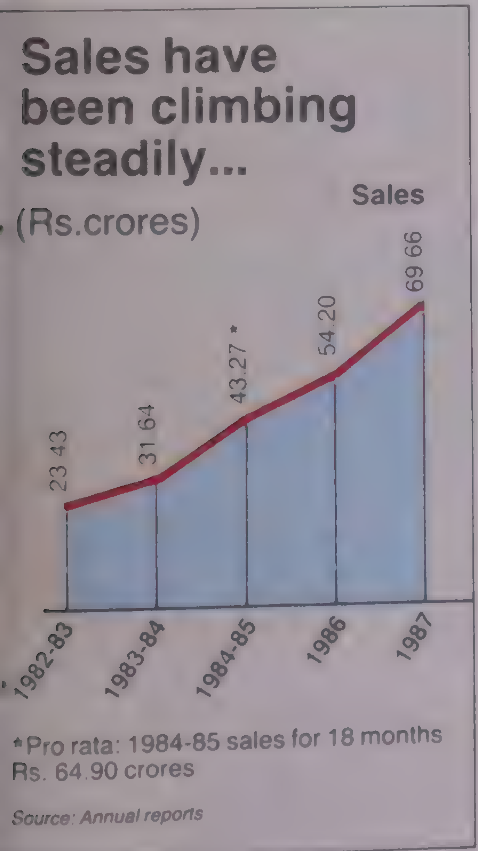
Free surplus and reserves
(Rs. lakhs)

Turnover per employee
(Rs. lakhs)

* 18 months

Source Company records

Mukherjee, who took over the reins of he company only in April 1986, agrees on the technology focus but says that it is Ratan Tata who has been its principal rchitect. He explains his own role a hade differently. "We just took this bunch of people who had stayed on during the troubled times, people who believed in the company, and asked them or the impossible. And, lo and behold, they delivered. That's the Nelco story; that's the turnaround."



Sales have been climbing steadily...
(Rs.crores)

*Pro rata: 1984-85 sales for 18 months Rs. 64.90 crores

Source: Annual reports

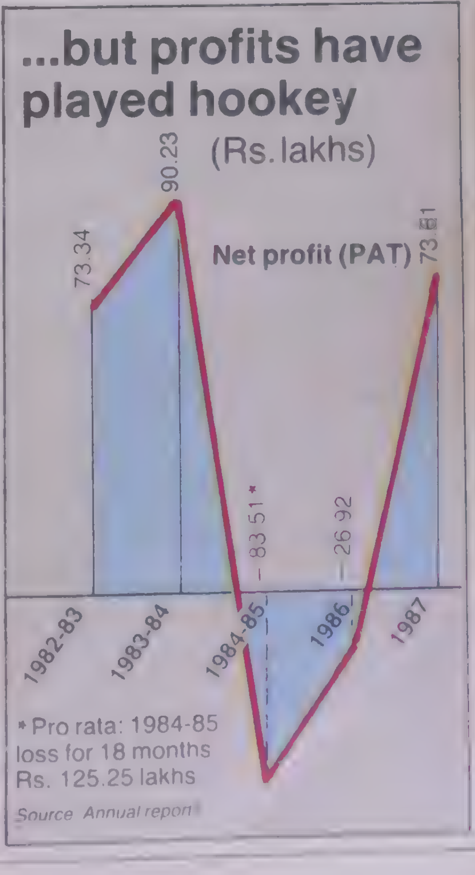
But there is more to it, of course.

Nelco's major problem in the seventies and the early eighties was that it went daisy-picking as far as product lines and technologies are concerned. Sans any clear-cut strategy, it was a corporate weathervane indicating general economic recession or resurgence. When consumer spending went up, so did the company's sales and profit. When there was a decline in demand, sales did an about turn and profits a vanishing act. With recessions coming in cycles, the surpluses of the good years were eaten away by accumulated losses. The result: the company was strapped for funds not only for expansion but also for working capital needs. Add to this a stiff dose of labour troubles, and the scenario was none too salutary.

There were structural problems also. The same marketing team was trying to sell a Rs. 100 radio and a Rs. 100 lakh industrial electronics system. Understandably, they could hardly do a good job of both. Besides, Nelco remained topless for nearly 15 months before Mukherjee took over. There was an interim management team which did do a successful job of stabilisation but it could not effect a turnaround

Mukherjee himself was brought in after a long search, one of the rare instances in which the Tatas have inducted a top manager from outside their ranks. He obviously had his hands full. Morale could not have been lower, nor too the sundry parameters of a company's performance. The only plus point was that Nelco's turnover had been increasing quite satisfactorily from its 1980-81 (15 months) low of Rs. 11.87 crores. (Sales in 1987 at Rs. 69.66 crores are proportionately more than seven times as much and the compounded growth rate over the past four years has been 31.20%.)

What Mukherjee had to do was, on paper, very simple: translate the sales growth to the bottomline. His solution, in hindsight, seems simple too. The



...but profits have played hookey
(Rs.lakhs)

*Pro rata: 1984-85 loss for 18 months Rs. 125.25 lakhs

Source Annual report

"Basically, we had a case of indigestion"

Ratan Tata, chairman of Nelco, has been associated with the company since 1971. In an interview to BusinessWorld *he spoke about various aspects of Nelco and his role in the company. Excerpts:*

■ On the role as non-executive chairman.

I think it is very simple and straightforward. The role of any non-executive chairman is basically to provide the long-term direction which a company might follow. I think the role also involves supporting the chief executive, meshing with his views and backing him at the board level.

The other task is that of keeping an interest in the company, being aware of its operations and being in touch with the people. The chairman can provide another input: one that is from the outside looking in while still not at a great distance from the company.

■ On his role in Nelco and relationship with the company's CEO.

The chairman's role does depend on the chemistry. With Bobby (S.K. Mukherjee), I can discuss several issues and the role is informal, more of an interaction. I don't think there has been any formal memo writing.

Also,the relationship has been a very worthwhile one. Maybe we do not meet too often, but when we do, we talk freely and frankly on where the company should be going. It has been a peer level kind of a relationship. He is trying to turn the company around and my role is supportive, not an active, implementing one.

■ On the chairman as watchdog.

It is important that the chairman should set the fabric, the standards of the corporation. By this I mean the value systems, the moral systems and the quality standards.

After all it is the duty of any chief executive to maximise performance. It is inevitable that sometimes that performance subordinates other issues such as the quality of the product. There may be seemingly okay short cuts taken. The chairman should step in and say that's not what we stand for

■ On the entry into professional electronics in the seventies.

A fair amount of investment was made in that area. We did both the right thing and the wrong thing. The right thing was that we made the right move, looked in the right direction. The wrong thing is that we felt we could just do it and it would happen fast. Moving from a consumer company to a professional company is just not easy. The cultures are so different. We still haven't solved the cultural problems.

■ On the eighties debacle.

I believe that the losses we suffered in the eighties were purely a function of the then management changing the complexion of Nelco. We were trying to do too many things. We launched too many products on flaky assumptions. We made too many commitments. Basically, we had a case of indigestion. Everything was looked at short term. In a way, a lot of the kind of fabric we had tried to build up — putting in a base of technology and creating a capability — was destroyed. And this is what Bobby has been trying to rebuild.

■ On the factors behind Nelco's turnaround.

I don't think there is any one area which can be defined (pinpointed). Certainly, as in all such turnarounds, effort has played a major role. The second aspect is management focus in the sense of control over cash, setting of targets, chasing of targets...

Never before has there been this focus. If you look at Nelco's bad years it is because some management factor went out of control. Where we have failed in the past is in managing our day-to-day business.

Management of cash has always been an important element in our business. We have always been short of cash. This is not a capital-intensive but a working capital-intensive sort of activity. You don't revolve your money fast, you don't use it fast ... and you are in trouble.

Lastly, there has been a tremendous marketing thrust...

■ On his role in the turnaround.

I don't think there is any credit due to me except possibly the fact that I have supported Bobby and believed in him. It is charitable of Bobby to give me the credit but the direction of the company has not been changed. You can have the same direction and be successful or unsuccessful.

But it is true that my environment is not confined to Nelco. So my experience of happenings both outside India and here is greater. I may see something in California and come back and say why don't we do this, or why don't we do that.

■ On Nelco's financial restructuring.

It has played a very important role in the turnaround because cash was a major problem. Without it we could not support the growth we have.

■ On the organisational restructuring.

It is a refinement, but a worthwhile refinement of something we started in the late seventies. The greatest pain (i.e. the most painful change) was the divisionalisation of the company then; earlier it was on functional lines.

Today, answerability is fairly and squarely with the individual and I think it is a great plus.

strategy was three-pronged: first, tie up the capital requirements; second, change the organisational structure; and, third, induce a sense of motivation and a corporate purpose.

The first proved the easiest of the three because a start had already been made. The land sale to Varuna Investments, a sister concern of Tata Chemicals, had brought in Rs. 1.36 crores. The land has since been leased back for a 45-year period. There will be a fallout in the form of a Rs. 27.5 lakh annual lease rental, but at a juncture when money was nowhere to be had the future costs were reasonable when balanced against current needs. "It was a sound decision," says general manager (finance) Pranab Datta. "At that time in 1985 we needed the money desperately."

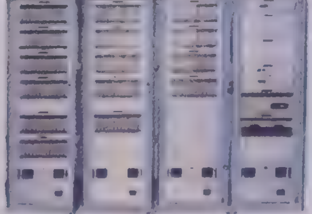
RAISING CAPITAL

Datta explains that the profits earned after 1980-81 had gone to finance the asset base expansion. Total assets have increased from Rs. 8.39 crores then to over Rs. 60 crores in 1987. But the share capital did not increase correspondingly. "Thus we had a correction issue in 1984-85," says Datta. "We raised Rs. 3 crores by way of rights convertible bonds. The convertible portion — Rs. 1 crore — increased the equity base from Rs. 2.17 crores to Rs. 3.17 crores in 1986."

But that too was not enough. "We needed further working capital," says Datta. "We were bailed out by the three Tata Electric companies who advanced us Rs. 4.5 crores. Of this Rs. 3 crores are scheduled to be converted to equity through a rights issue." The three Tata Electric companies incidentally already have a 21.46% stake in Nelco. With the present plan to buy up the rights of the other shareholders (Rs. 2.18 crores has already been deposited as advance towards application money for additional shares), their holding is going to rise significantly once the government gives the go-ahead (see box p.65).

Mukherjee: asking for the impossible

Product profile (as % of turnover)

	Consumer products 55
Industrial systems 25	
	Office automation 20

The Rs. 4.5 crores too was a drop
the ocean. If all Nelco's plans were
bear fruit, it needed much more mone
So in September 1986 came the hat
hand trip to the financial institution
"They went through our proposal with
toothcomb," says Datta. "And in mi
1987 they cleared it in toto." The mone
Rs. 8 crores of it, has to be repaid ov
an eight-year period starting from 198
Over and above this, the company
bankers have sanctioned addition
working capital facilities. The resour
crunch, a problem that has hamstrun
Nelco over the years, is now a thing
the past. "For the first time we have th
money we need," says Tata.

While the bankers and backers we
cogitating over the financial fine prin
there were sea changes underway with
Nelco. First was the organisational r
vamp. The company had been partial
divisionalised in 1979-80 but the proce
had not been extended to its logical co
clusion. Till 1986 the materials, R&D an
finance departments were still centra
ised. "We had to clamour for attentio
and with everybody with their own set
priorities there were countless logjams
comments R.R. Bhinge, divisional ma
ager (office products). "Even if I di
manage to convince R&D, for exampl
that my needs should be met first, wh
an awful waste of time and energy for a
concerned."

Besides, prior to 1983, all of Nelco
R&D work was being done by the Ta
Electric compani This created co

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stant squabbles. "We were having endless ping-pong matches on whether the product was wrong, that is, the design was weak, or the manufacturing was poor," says Tata. "The net result was that Nelco lost out in the marketplace. Bobby's reorganisation was a refinement of a process already started, but it was a vital one."

Among the first things Mukherjee did after taking charge was to axe the archaic centralised system. Today all the divisions (consumer products, industrial systems, and office automation and computers being the largest) are complete in themselves. They have their own marketing, materials, production, personnel and finance teams. Even the R&D set-up has been separated so that each division has its own personnel. (After 1983 R&D was no longer under the Tata Electric group's aegis.) Only in finance is there still some sort of unified command but the profit centre approach means that the divisions have to bother about their bottomline also. "Basically, there can be no more excuses, no more passing the buck," says Mukherjee. "The individual is answerable," adds Tata.

Datta: search for funds

The structural changes have gone hand-in-hand with the devolution of decision-making powers. Now there are three levels of decision making. "What can be decided at the division-level never comes up to me and what, say, the materials manager can decide he does without going to the division head," explains Mukherjee.

"We have done away totally with the memo culture," he adds. "If something

Electric connection

During all its torrid years Nelco seems to have had a triad of trusted friends — the Tata Electric companies (Tata Hydro Electric Power Supply Co. Ltd., Andhra Valley Power Supply Co. Ltd., and Tata Power Co. Ltd.). They have had a big part to play in the present turnaround also, having pumped in Rs. 4.5 crores.

There is reason for such largesse, of course. The Tata Electric companies have had a close relationship with Nelco which goes back to the National Ekco days. Explains K.M. Gherda, vice chairman of Nelco and joint managing director of Tata Power, "As a long term strategy of the top management of the Tata Electric companies, we decided that we should diversify.

"We found that electronics was the coming thing and looking around we found an "in-house" unit (speaking loosely) in Nelco. We started with sustaining loans and a small share in equity," adds Gherda.

"The Tata Electric companies were pumping money into research," adds Ratan Tata. "In fact, most of Nelco's products have their origin there."

The Tata Electric companies have over the years put in more and more money into Nelco because for them it is an escape route in case of government takeover. Even though the licences of the power companies have been periodically extended, they still want to insure themselves against the distant eventuality of takeover. Unlike the various private banking companies which, on nationalisation in 1969, suddenly found themselves without a business, the Tata Electric companies could have Nelco as their business.

As per the present shareholding pattern in Nelco, the Tata Electric companies have 21.46%. Other Tata companies have nearly as much. Schlumberger holds 27%, the financial institutions 6% and sister companies of other Tata companies another 6%.

Impending change. But a drastic change is in the offing. As part of the package approved by the financial institutions, Rs. 3 crores of the loan advanced by the Tata Electric companies will go towards the rights issue made by Nelco in 1987. All the major holders (other Tata companies and Schlumberger) will renounce their rights in favour of the Tata Electric trio.

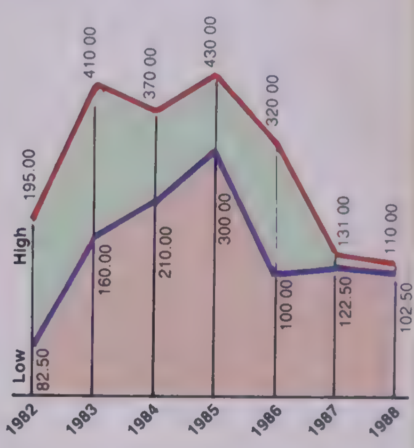
"We will have 55% of the stake after the government clears the allotment of the 1987 rights issue," explains Gherda. Correspondingly, the stake of other Tata companies will come down to 18%, Schlumberger 13% and the financial institutions to 4%.

Actually, this is the way it was supposed to be from the beginning. But it seemed to have been given the go-by in the 1977 honeymoon with Schlumberger. Later the Nelco R&D set-up, which was part of the Tata Electric companies, was hived off to the former.

"Several directors in the electric companies had the feeling that when Nelco needed money the electric companies had helped out. But then the strategy (of investing in Nelco) seemed to have been put on the shelf and Nelco went its own way," says Ratan Tata. "We did a review when we wanted to restructure Nelco and the same statements were made."

"When it became clear that Nelco needed an injection of cash, the electric companies had the money, the willingness (to invest). So we activated what had been earlier chalked out," he adds.

Market price (on BSE)



Share par value Rs.100

Source: Bombay Stock Exchange

The electric companies' bear hug over Nelco may probably make it more of a pariah in the stockmarket. As it is there is hardly any trading, thanks to the lack of floating stock.

Quaintly, in the one transaction in March after the inspiring results of 1987 were announced, the scrip fell further from Rs. 110 to Rs. 102.50. A sad comedown from the 1985 peaks of Rs. 430 but, as everybody seems to be saying these days, the markets are no longer a true barometer.

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has to be decided, the relevant people get together and thrash it out. Everyone may not agree but at least they get a chance to be heard."

Divisionalisation means total accountability. But Mukherjee has tempered this by, as he puts it: "Allowing people to fail. The best of managers will take two wrong decisions out of every 10. It is the tolerance of failure that provides the environment to succeed."

That is a philosophy which is surely needed in Nelco: the batting average for successful decisions in the past cannot have been very high (see box.) The early eighties was a time which saw a sellers' market in electronic items. Everything that was produced was sold. Then came Rajiv Gandhi and a liberalised industrial regime. Competition stepped in and Nelco was caught with its pants down.

DIFFERENT FOCUS

"The initial response was wrong," says Mukherjee. "We went into a trading mode — a me-too mode." Adds Zal Engineer, divisional manager in charge of televisions: "The whole world was getting into TVs and so did we. Today the focus is different: we want to be in the market by design, not by accident."

A trading mode basically means that Nelco gave its own manufacturing facilities and R&D a backseat and concentrated instead on hawking products made by small-scale units. There were short term benefits: turnover surged, the company moved out of the red and even paid a 10% dividend in 1983-84. It was a long term disaster. "The profits were totally illusory," says Tata.

The slump in 1984-85 did provoke some serious soul searching. It raised the fundamental but apparently unanswered question: "What business is Nelco in?" Confesses senior general manager D.J. Fernandes: "We realised we would have to move from a substantial trading base to an in-depth manufacturing base. Two things helped us to make this transition. First was necessity: as traders we were a losing proposition. Secondly, both our TV and plain paper copier licences came along in time."

"And in all that we do we are aiming for technical excellence," adds Mukherjee. "We have decided that we must be market leaders at the top end of the spectrum. Our products must be the best available and that is how we are going to project ourselves."

In tune with this approach, Nelco has allied itself with various big names abroad. Its stable of foreign associates and collaborators includes Mitsubishi Electric and Mita of Japan, Honeywell-Bull of Italy, General Electric of the US, Emerson Electric and Serck Control.

In TVs, for instance, the Blue Diamond range caters only to the premier colour TV market. Manufactured under a collaboration agreement with Mitsubishi, the latest Zoom model (which allows expansion of the image on the screen) is priced at Rs. 14,420, which makes it the costliest in the Indian market. "We launched it in January this year," says Engineer (quoted earlier). "And we are selling 1,000 units a month." Adds Mukherjee: "Everyone is moaning and groaning about competition in the market. We don't find any problems."

The way the Mitsubishi tie-up was finalised reflects on the newfound ethos in the company. Even before the Centre had agreed to broadband Nelco's radio receiver licence to TVs, the company had despatched teams to evaluate the various technologies available. Rs. 2 lakhs were spent on market research to identify the needs of the Indian customer and the model was adapted accordingly. In

Bhinge: aiming high

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February 1986 itself a three-man team was despatched to Mitsubishi to acquaint themselves with the processes involved. Prototype models were assembled at the small scale units which feed Nelco. By the time broadbanding came in May 1986, Nelco was raring to go.

PRODUCT RANGE

Or take the EPABX systems which Nelco is manufacturing using C-DOT technology. The company got its licence only in December 1987, one of the last to do so. "But we are already No.3 in terms of installations," says Bhinge (quoted earlier). Nelco could do it because of its technology base. "If the government allows us to go in for the manufacture of RAX, we can commence production in just one month's time," adds Mukherjee. Nelco is also the first in the country to manufacture 64 port exchanges and plans to extend its range all the way from 64 ports to 2,000 ports.

But its other product in the office automation division — plain paper copiers — has been in trouble because of the trading mentality. "Nelco introduced its plain paper copier in 1983," says Bhinge. "From 1983 to 1986 it was purely a traded item. Sales flattened out because we could not make supplies. Our market share actually declined though the model was very well accepted." Now, however, production has commenced at the Nelco unit in Nasik and the problems of vendor operations should be largely nullified.

While TVs, copiers and the like are the public face of Nelco, a big chunk of its profits comes from its industrial systems division. The main reason is the sheer size of the orders. A single microprocessor-based drive system and automation for the TISCO bar and rod mill in TISCO, Jamshedpur, was worth Rs. 6 crores. Nelco's main thrusts in this area are on uninterrupted power supply (UPS) systems, drive systems and data ac-

A chequered history

Nelco has flirted with profits the odd year here and there but it has never really managed to marry money. The 10% dividend splurge in 1983-84 was, as later events have proved, a generosity it could ill-afford.

The company's history reads like a saga of wrong decisions and missed opportunities. It was initially known as the National Ekco Radio & Engineering Co. Ltd., and had a 20-year technical tie-up with E.K. Cole Ltd., England.

The first major goof came in 1965 when it decided that transistors would be a passing phase and stuck to diodes instead. Today, the diode — like the dodo — is dead and it is only constant infusions of Tata funds which have kept Nelco alive.

Poor product. When National Ecko woke up to the transistor threat, competitors had already stolen a march. And when in 1967-68 it did go in for the new technology, it started with a poor product with the proportion of rejects sometimes touching 80%. Inventories and debts accumulated and the company's balance sheet was soon bathed in what was to be its normal hue — red.

In 1969, the collaboration with E.K. Cole got over and Nelco came into being. It already had some unwanted baggage — General Radio & Appliances Ltd. had been amalgamated with the company in 1967.

By 1971, when Ratan Tata was first associated with the company, the ambiguity in purpose was obvious. The turnover then was about Rs. 3 crores — Rs. 1 crore of it from radios and the remainder from institutional and domestic appliances that included cookware and pans. For what was once a premier radio company, market share in that segment was a scant 2%:

Better days were ahead on this front, however, and soon market share climbed to about 20%. But that was more because competitors had realised that radios were developing into a small scale industry and diversified quicker. The pots and pans business — the various appliances were marketed under the 'Kleertone' brandname — was growing increasingly sluggish but remained a millstone around the company's neck until finally sold off in 1979-80.

Cultural problems. Nelco had earlier realised that the future lay in professional electronics and in flat-footed fashion dived headlong into the arena. Says Ratan Tata: "A fair amount of investment was made in that area. We did both the right thing and the wrong thing. The right thing was that we made the right move, looked in the right direction. The wrong thing is that we felt we could just do it and it would happen fast. Moving from a consumer company to a professional company is just not easy. The cultures are so different. We still haven't solved the cultural problems."

For a long period of time professional electronics sucked cash and resources and did not generate profits. The products were not known in the market. Nelco made little headway in competition with the majors.

In 1975-76 Nelco decided to go in for a tie-up with Schlumberger Ltd. The French company was seeking an Indian partner in the areas of test instrumentation and data acquisition systems. It even took up 36% of Nelco's equity following the 1977 rights issue.

But the collaboration too was a mistake. Schlumberger was interested only in the upper ends of both markets and there simply wasn't any demand for such products in India. A separation has now been decreed and Schlumberger, though it still has a 27% equity stake, is in the process of diluting it. In the medium term, the separation could well end up in divorce.

Despite all this, however, Nelco managed to make profits until the emergency when demand for consumer durables came plummeting down. Sales declined and there was a loss of Rs. 13.05 lakhs. In 1976-77, sales were Rs. 80 lakhs higher but there was still a loss of Rs. 54.34 lakhs. Since then, Nelco has always had accumulated debts save for the brief period 1982-84 and, of course, now.

The post Emergency days were just the time to move into the big league. But Nelco now ran into problems on another front — labour. This started in 1979 and came to a head in 1980 when there was violence at the Andheri factory. The unit stayed closed for seven months with expected effects on sales and the bottomline.

Only now has Nelco started weeding out its unprofitable products. Radios and calculators are no longer manufactured and some of the other offspring of the early eighties trading era are being shown the door. As Mukherjee puts it: "A Tata company should not be dealing in pots and pans." But the high-tech items of today could well be the "pots and pans" of tomorrow with technological progress. It remains to be seen how fast on its feet Nelco is in the future.

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"There is a thirst for modern technology in India today," says K.A. Mahashur, general manager (industrial systems division). "And we have a fitting reply for that." Talking about the UPS systems in particular, Mahashur states that computerisation in India is of world standards. "How can the back-up systems be inferior? We offer state-of-the-art technology." This division's major clients are the steel plants, the railways, the posts and telegraphs and sundry others. There has been a phenomenal growth in turnover and Nelco is the clear market leader in a lot of areas.

The company has a host of other products ranging from printed circuit boards to high speed computers. It has tied up with Honeywell-Bull to make the Unix-based Force 20, a computer which has been much better received in the market than its earlier Nelco models. "We were also the first to launch PCs but had to drop out because of some problems with our US source," says Mukherjee. A new range of mini-computers and PCs is on the anvil. The traditional audio products (like radios) are still being marketed but as far as manufacturing goes Nelco is concentrating on special items such as two-in-ones.

MARKETING FOCUS

High-tech ambitions apart, there has been an increased focus on marketing. "There is a tremendous marketing thrust," says Ratan Tata. "For the first time in Nelco's history is there a marketing man as chief executive." Understandably, the Rs. 1.51 crore advertising budget for 1987 is more than double the 1986 outlay.

There are many new products in the pipeline. In TVs (which, says Mukherjee, will continue to constitute 50% of the turnover) the Blue Diamond range will be extended. Additionally, a new Black Diamond range (for B&W TVs) will be launched soon. A 16" model — the Colt — already exists and it will be complemented with a 20" model. In industrial systems too, there are many technological offspring in the offing.

Mahashur: thrust for technology

But if Nelco is ticking along merrily, there is another reason for it. Mukherjee has been able to instil in the rank-and-file a sense of motivation. "Today, a girl making TVs is proud of the product," says Fernandes (quoted earlier). "The quality of the final product depends on care from the bottom up."

On the labour front, Mukherjee started with an advantage. Although this had been a problem area in Nelco, things have been peaceful since the seven-month lockout in 1980. "That was a big lesson for us," says Fernandes. "After that we have developed an open culture. We became proactive. Problems are discussed across the table whenever they crop up. We have modelled ourselves on TISCO and even sent teams of workers there to see how harmonious labour relations can be. And we haven't lost a single manday through agitations in seven years."

"The workers have proved most cooperative," adds Mukherjee. "Before I came to Bombay, I had heard so much about the militant labour here. But there were no problems. In 1986, for instance, there were 300 people idle on the radio side of our operations. We trained them and now they are fully employed elsewhere."

"Of course, there was some initial reluctance," admits Kenny Solomon, secretary of the Nelco unit of the Bombay Labour Union led by Sharad Rao. "But once we understood that the company's training programmes were going to teach us new skills, we were very keen on them. We have joint departmental councils and joint plant councils and all problems get solved." There has been a corresponding effect on employee productivity: in terms of sales per worker it has gone up from Rs. 1.73 lakhs per annum in 1982-83 to Rs. 4.18 lakhs in 1987.

Fernandes: quest for quality

BAD HABIT

Everything seems bright and cheerful. But will it continue? Nelco has had this bad habit of taking a nosedive when everyone thinks it is going great guns. "That has been Nelco's problem," admits Tata. "For one reason or the other the company has failed to keep its promises."

There are some reasons for doubt. Many of the areas which the company is eyeing are highly competitive. The copier market is saturated and Onida is still a clear leader in the premier TV arena. Besides, both EPABX and computers have a multiplicity of players. Nelco's technical excellence must therefore be backed up with aggressive marketing. That is something which Nelco executives have not been very familiar with to date.

But Mukherjee, for one, is sanguine. "These are the same people who were once considered a bunch of rejects. They have clicked. They have tasted blood in the form of success and it is very addictive."

The battles ahead in the marketplace are likely to be very bloody too. Nelco's "charged up" team will need every bit of its new-found appetite if it is to stay in the fast lane.

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EMPHASISING RENEWAL OF SCARCE RESOURCES.

Speech of Shri S. Ghosh, Chairman, at the 12th. Annual General Meeting held on 15.3.88.

You would have observed from the Report and Accounts, that mill operations were severely dislocated due to the State Electricity Board imposing power cuts of 60% and over for 3½ months between April and July last year. However, annual production reduced by approximately 5400 tonnes, which is roughly equal to only five weeks production of the previous year. The management and the workmen at the mill deserve full praise for the manner in which they devised solutions to cope with the numerous problems that arose and the way they applied themselves to the task of production maximisation. Nevertheless, the unavoidable loss of production and consequential loss of revenues and profits is to be regretted.

PRODUCTIVITY & SCARCE RESOURCES

You would have been happy to note that your Company was presented a special award for Excellence in Productivity Consciousness among large paper and pulp mills for 1986/87. After three consecutive awards for highest productivity, this achievement was most gratifying.

Six years ago, at our annual meeting I had emphasised that the battle for advancement in productivity cannot be fought unilaterally at the micro-level of private enterprise in a regulated economy such as ours. Industry, particularly core sector industry, characterised by capital intensity and long gestation, can survive and make effective productivity contributions only in a bilateral partnership, where the relevance of macro-level governmental policy creates conditions to inspire entrepreneurship.

It is fairly common knowledge that the paper industry has been in the doldrums for some time now. The reasons are stereotype - stagnant demand, rising costs, inadequate cash flows, obsolete technology, infrastructural failures; but the list excludes the key variable — cellulosic raw materials, the indigenous availability of which, for the pulp and paper, board and newsprint industries' current requirements of 5 million tonnes annually is already threatened. And so much adhocism is taking place in the name of development, that nobody appears to be seriously bothered about the projected requirements of 15 million tonnes in the year 2000.

Perhaps a holistic approach only will reconcile inter-related but conflicting issues. A public debate followed by an integrated policy, long and short term, on land and forestry is urgently needed.

Population, environment, natural resources and development are inter-related. As population grows, resources shrink, especially finite resources. Renewable resources get depleted if consumption exceeds renewal, and get degraded if abused. Demographic pressures exert economic pressures, which if unattended, build up ecological pressures. Since the environment, in its broadest sense, is the aggregate of influences on the life and development of organisms, economic goals and ecological goals must be made congruent through interlocking plans for sustainability in development. Four decades of planning and execution for a better life for our people reveals the inadequacy of our efforts. Three hundred million people still exist below the poverty line, and life support systems have depleted and deteriorated sufficiently to now threaten those above it.

Land is, as always, a key resource and a vital component of the life support system. Good soil is the foundation of good farming and good living for the vast majority of our people. Whereas India accounts for about 15% of world population, we have only 2.5% of land area in the world. We are twice as densely populated as China, nine times USA and seventeen times the USSR average. And with our population still increasing annually at over 2%, the billion mark will be touched at the turn of the century. Per capita availability of arable land which stood at 0.48 hectares in 1951, will shrink to 0.14 hectares. Experts predict zero growth only after 1600 million. Inevitably the pressure on land will continue to mount relentlessly. This, at a glance, illustrates the measure of the problem and the challenge we face, without parallel anywhere in the world.

THE SCORESHEET OF LAND MANAGEMENT

The scoresheet on management of our precious land is depressing. India has been strangely insensitive to land scarcity until recently. Firstly, we do not have a comprehensive land use policy to create a balance between the competing claims of agriculture, industry, and urbanisation. Data-based information on soil characteristics is also unavailable, disabling land classification for crops, forests, permanent vegetation, grasslands, water regimes, industrial uses and human settlements. As late as in 1980, when the Forest Conservation Act came into existence, anywhere upto 150,000 hectares per year used to change from forest to non-forest uses. In contrast, Japan has had a well-defined land use plan for some time, and France an effective land preservation programme.

Secondly, water is an integral part of land and soil productivity. Seventy percent of all land is presently subject to water stress of some kind, a position accentuated by wrong policies and insufficient attention to scientif management. The severity of droughts and flo have tended to increase with increasing deforestation. Flood prone areas are estimated have doubled to 60 million hectares in two decades. Water logging and salination of soils have destroyed 18 million hectares of cropland certain areas, while intensive crop cultivation without adequate water replenishment has resulted in falling ground water tables in othe zones. Large irrigation projects at huge costs have diverted finance from greater developme of command areas and improved watershed management. We urgently need to evolve an environmentally sound and economically effici water conservation and management policy.

Thirdly, the extent of land degradation into wastelands is astounding. Some 90 millio hectares are so heavily degraded that these are have already gone out of production. Another 8 million hectares out of 145 million hectares of agricultural land is partially degraded. **Togethe at 175 million hectares, it constitutes more than half of India's total land mass, impoverished due to erosion, desertification, water logging, salinity, and toxicity. It is estimated that 12000 million tonnes of top s is lost annually from surface run-off, which is equivalent to 18.5% of total soil loss at globa level for a country with only 2.5% of the worl land mass.** Top soil loss accelerates degradatio of soil structure semi-permanently and leads t eventual infertility and barrenness at the farmer's level.

Fourthly, a variant of unchecked ravage the decimation of our forest wealth. This had commenced in the days of the British for increasing cash crop outputs and for laying rai and communication networks. Revenue from forests had become a regular source of income the State. At the time of independence, nearly 7 million hectares were covered by forests. Uncontrolled and indiscriminate tree felling, mainly for fuelwood and small timber requirements of an exploding population rapid depleted the country's forest cover. The Nationa Remote Sensing Agency reported in 1987 the existence of only 36 million hectares of closed forests, 28 million hectares of open forests and miscellaneous green cover in the remainder of million hectares notified as "forest lands" unde the Indian Forest Act. **Every year the country continues to lose at least 1.5 million hectares the better forest cover, a rate that will only escalate with population growth. An untenabl situation will result, as ecologists prescribe at least 33% tree cover, which would mean 109 million hectares, 60% more than we have toda** Unabated denudation of forest land has contributed its own share of land and soil degradation.

The gravity of the situation is at once realised when it is noted that this limited parce of land is required to raise 275 million tonnes t feed over one billion people in the year 2000, fr the current level hovering around 150 million tonnes.

The proliferation of degraded land needs be halted. soil nutrition needs to be restored. nd such reclaimed land needs to be used for restry or agriculture. as suitable. The health of ood crop land needs to be preserved and yields enerally have to be stepped up as well. And this gantic task has to be accomplished on a crash asis.

DEFORESTATION & AFFORESTATION

A working definition of forests would nbrace all forms of green cover and vegetation. cluding natural forests. woodlands. antations. trees. shrubs. grasslands and iscellaneous plant life. **Forestry must fulfil two rincipal objectives. Firstly, it must provide ng term ecological security by conserving the imate, water, soil and biodiversity. pecifically, it must be the principal agent for clamation and rehabilitation of devastated, graded and abandoned lands. Secondly, it ust provide necessary materials including rewood and fodder for rural and tribal mmunities as well as fibrous raw materials for rest-based industries.**

Traditionally the protection. working and generation of forests has rested with signated state agencies. Most of 3.7 million ctares of new plantations between 1950 and 80 failed to survive. Another 4.9 million ctares were put down under the social forestry gramme in the decade to 1984 and another 5 llion hectares thereafter. The success ratio of ese plantings is not known. In any case. the ccessful reafforestation rate is probably half e deforestation rate. currently estimated tween six and eight million hectares of ractions out of good forests. The end result is epletion of 1.5 million hectares of forest land h year.

The national afforestation effort needs a sh orientation. and a comprehensive strategy eds formulation. properly zoned by land types l end uses for the evolution of specific grammes. mutually supportive. but each ing its own priorities and distinctive ferences. It needs to be reiterated that all such grammes require to be enmeshed with soil toration and enrichment as well as water nagement programmes. Forestry must be ked upon as tree agriculture and must be en the full backing of science and technology. luding frontier technologies. It is possible to ide India's forestry mission into the following ad groups:

nservation Forestry. This form of forestry is inly directed towards the creation of the stock orest wealth. mainly for micro-climate bilisation and biodiversity. Regular wood raction is normally banned. These are usually ulated natural forests made up of indigenous species. Such forestry. is particularly helpful onserving water regimes in watersheds and hments.

ial Forestry. Designed to provide fuel. der. small timber and other minor products ntial for the rural poor and tribal population. mode of intensive plantation is a highly ible concept of afforestation to relieve ssure on natural forests. It is meant to be ciated with soil and water conservation. It provide substantial employment in the ges. Where such activity is tailored to mercial production for supplies. of say. vood. dovetailed with desired environmental impact. the programme is called farm forestry. When tree farming is combined with agriculture it is called agro-forestry. Social forestry has had mixed results. with some social gains and some social penalties. It now needs to be put on a firm and more definitive footing by strengthening the centrally and state sponsored programmes. For example. the scientific content of such intensive plantation must be raised and made more location-specific. soil nutrition and water management linkages made more compulsory; and for a wide dispersal of its benefits. social forestry should be integrated with agriculture and animal husbandry. The emotional involvement of the community with their own programmes is absolutely essential. and the leadership initiative should reside in the villages.

Revegetation Forestry. This form of forestry is particularly suited to reclamation and rehabilitation of degraded land. 90 million hectares of which are so badly devastated that there is no production on these lands. The soils are deficient in organic matter and micro-organisms. essential for plant growth. Unless these tracts are revegetated with grass. shrubs and trees particularly suited to hostile conditions. surrounding lands will tend to drop their potential for agro-production.
Location specific measures will have a large component of soil and water manipulation. Whereas the timber productivity may be low. the social and environmental benefits are considerable. If species and technology are scientifically matched to the site. economic costs are capable of significant reductions.

Industrial Plantations. We consume 166 million tonnes of wood each year of which 141 million tonnes is firewood. 20 million tonnes is timber and 5 million tonnes is pulpwood. Our forest wealth continues to erode. thereby confirming that consumption is exceeding generation. This mismatch could be tackled in two ways — either by curbing per capita consumption of firewood by providing cheap alternative energy or generating greater biomass through increased hectarage or higher yeilds. **Among all the options, the latter appears to be the more feasible, as man-made plantations can outperform natural forests without necessarily threatening ecology. This applies as much to firewood species as it does to pulpwood species. Natural forests achieve a mean annual increment through natural growth of between 1% and 1.5% per annum; fast growing tree species reach optimum biomass in five to seven years, a comfortable increment of 20% per annum;** and with superior spatial distribution. elite species and systems to match. biomass yields per hectare could exceed 40 tonnes annually under favourable conditions.

PLEA FOR LIBERALISATION

It is reported that the Central government is considering a total ban on felling any forest trees in the Eighth Plan. Already it has prohibited states from leasing lands to private persons and corporations. even for afforestation May I humbly state that fiats and prohibitions of this kind will not achieve the desired results **Unless energy substitutes are found for fuel wood and alternatives to the many uses small timber is put to, poaching and unauthorised extractions from forests will not stop. The escalation in firewood demand from 141 million tonnes today to 300 million tonnes projected for the year 2000 cannot be halted in this way.**

Unhindered regeneration and afforestation is the surest means of conserving natural forests. Presently. tree farming appears to be the prerogative of the larger agricultural landlords. the rural landless on community lands in villages through social forestry. and such reforestation that the forest departments and development corporations undertake. The sum total of these efforts has been recited earlier. The corporate sector has been effectively blocked from taking part in afforestation by a web of legislation and land use prohibitions which denies access to land for such work. The political will seems to be lacking out of fear that land so allotted for working would ultimately be ceded for good. A watertight formula for restricted rights of occupation and strict land use for the appropriate period can surely be found. **The urban community is a 30% user and beneficiary of forest produce and must contribute to forest regeneration. The corporate sector, mainly located in urban centres, is the appropriate vehicle for this purpose. Commercial forestry is an area of high technology, and is a fit case for liberalisation of industrial policy that will permit entry of recognised industrial houses in this field.**

It needs to be emphasised that without the backing of science and technology particularly addressed to forestry. we shall not make headway. An agency in the form of a Forestry Commission with proper representation by eminent Indian scientists to supplement the National Land and Wasteland Development Council may be considered. Inputs of science and technology being limited. our productivity standards are too low. Our natural forests have abundant genetic spread out of which desirable genotypes can be selected for multiplication. By giving a thrust to industrial forestry. we shall succeed in boosting production and productivity. along with environmental upliftment.

Before I conclude. I would like to share with you how China has tackled similar problems. In 1950. tree cover had dropped to 8% of land area due to heavy deforestation. and perennial shortages of firewood and fodder was experienced. It mobilised its huge manpower resources to undertake a massive programme. Production brigades were required to meet quotas in exchange for food rations Subsequently 50 million peasants were allotted 20 million hectares for 30-50 years on barren hillsides strictly for afforestation. with incentives of ownership linked to success. Today China has 17500 collective forest farms over 160 million hectares. with trained cadres and scientific back up responsible for green cover of the country Heavy industry sited on large land holdings are prohibited from having any vacant areas without tree cover. Inter cropping is widespread with varieties of fruit and timber trees alongside food crops. Loans at cheap interest rates are available for the degraded areas.

Forest cover in China has risen from 8% to 12.6% in thirty years. Out of 122 million hectares. as much as 40 million hectares are man made plantations where intensive forestry is practised The beneficial effects of forestry can be gauged from the fact that China feeds one and a half times India's population on 43 million hectares less land under agriculture. The productivity of their major crops of rice and wheat is double of what we have achieved. Is there any more reason to hesitate?

This does not purport to be a report of th proceedings of the 12th Annual General Meetin

Bill discounting all set to fail

R. VIJAYARAGHAVAN

Like earlier efforts, the Reserve Bank's move to impose financial discipline on corporate borrowers by promoting bill discounting is heading for failure. The reason: resistance from all the players in the game — the big private and public sector companies, the banks, the Union government and, in the way, the Reserve Bank itself.

Reserve Bank governor R.N. Malhotra had, in his lean season credit policy letter dated 31st March 1987, issued several directives to banks aimed at ensuring a shift from the present system of cash credit and overdrafts to one based on bill financing. The objective was to create a bill culture which the Vaghul Committee on the money market considered the "keystone of a well-developed and active money market."

The RBI's directives are important not only for the development of the bill market but also, as the Vaghul Committee put it, for "the protection of a larger number of small and medium industries whose uncollected receivables have reached such dimensions as to threaten their very existence."

TWO DIRECTIVES

Acting on the Vaghul Committee's recommendations, the RBI governor had issued two important directives. One of these stipulated that while calculating the drawing power on cash credit and overdraft facilities against receivables, effective 1st April 1988, only 75% of the eligible receivables should be taken into account for financing, subject to the normal margins prescribed by banks. The remaining credit requirement could, however, be financed through demand and usance bills. The RBI suggested that banks "should advise their constituents that to avoid any disruption in financing they should progressively move towards bill financing."

The second stipulation said that "all parties subject to the credit authorisation scheme (CAS) (both in the private and public sectors) would be required to attain a ratio of bill acceptance to credit purchases of 25% by 1st April 1988. In cases where this ratio is below the stipulated level, banks should advise their constituents to progressively move towards the attainment of the stipulated ratio. At this stage, a system of incentives/disincentives, contingent on the performance vis-a-vis the stipulated ratio, is not being set out; nonetheless, banks must draw the attention of their constituents to the fact that adherence to the stipulated ratios would be made one of the key prerequisites in considering whether an account is being operated satisfactorily. After a run-in period, specific incentives/disincentives would be prescribed. Hence all CAS parties should make a serious endeavour to attain the stipulated 25%."

Senior bankers say that if these two directives are being implemented the value of inland bills purchased and discounted by banks should show a substantial increase. However, the weekly statistical supplements of the Reserve Bank bulletin show that in the current financial year (1987-88), the value of inland bills purchased and discounted by banks has been stagnating around Rs. 3,650 crores. The Reserve Bank's directives have, therefore, largely been ignored by banks and big borrowers in the private and public sectors.

Bankers say that they have been unable to do much because they are nervous about arm-twisting big borrowers, whether the companies are in the private or public sectors. The biggest borrowers are also the biggest customers of the banks: if one bank decides, in a fit of righteousness, to arm-twist a big corporate client and force it to move towards the stipulated ratios, the company can always threaten to take its accounts to another bank.

Given the tough competition for business, other banks are only too ready to welcome with open arms a corporate client wishing to change its banker. The threat of a shift of accounts to another bank is sufficient to make bankers think twice about implementing RBI's directives: the loss of a big corporate customer means reduced business and hence lower profits.

Big companies in the private and public sectors are opposed to moving over to bill financing because this will force them to pay up their dues to suppliers on time. If, as directed by the RBI, a big company attains a ratio of bill acceptances to credit purchases of 25%, it means that it will have to pay for one-quarter of its credit purchases within the limit of 90 days set under the bill discounting scheme. At present, the big firms take as much as eight to nine months to pay their suppliers. A shift to bill financing would, therefore, force them to give up the financial advantage of delayed payments. This the big companies are most unwilling to do.

In fact, the public sector is as much to blame as the big private companies. The Sukhamoy Chakravarthi Committee on reforming the monetary system had noted this fact. Pointing out that delayed payments by the government and public sector have a big impact on credit flows in the economy, the Chakravarthi Committee said there is "no justification for persisting with a system which transfers the financing cost from the government and other public sector units to other sectors" through delayed payment and non-payment of interest for such delays.

The Vaghul Committee put the whole matter in the right perspective when it said that it was of the "firm view that any attempt to activate the bill market is bound to fail unless a bill culture develops amongst the trade and industry circles and the initiative for this should come from the government, public sector undertakings and large business houses." More importantly, the committee said: "In the light of the past experience of the failure of persuasive measures, a time has come to push ahead with a set of mandatory instructions in this regard."

MANDATORY INSTRUCTIONS

The RBI governor's directives are part of this set of mandatory instructions. But the Union government did not give it the necessary back-up support to implement the directives.

The Vaghul Committee had recommended that "the government should direct departmental undertakings and public sector organisations that payments for all credit purchases made by them should be made only in the form of bills and the bills accepted in this regard should be strictly honoured on the due dates. Failure to pay the bill on the due date would have to attract a uniform penal rate from the date of acceptance at two percentage points above the maximum lending rate of banks."

There are no indications that the Union government is even remotely interested in implementing this recommendation. The RBI itself seems to be generally lukewarm towards ensuring that its directives are implemented. As the RBI governor's letter of 31st March 1987 to banks said, specific incentives and disincentives will be prescribed after a run-in period. Senior bankers say that 9-10 months is a sufficiently long run-in period and if the RBI was really serious about the success of its bill discounting scheme it should have come up with its incentives and disincentives by now.

It is the RBI's primary function to impose financial discipline on the corporate sector and bring about a healthy financial system. A year has passed since the RBI took the first steps towards this end but little has changed.

Further peps for exports

He who hath shall receive even more, as the Good Book says. No sooner had the Exim Bank trimmed credit rates for exporters, than the RBI too, decided to get into the act. Soon, packing credit rates may be relaxed, reports suggest.

At present, exporters are allowed pre-shipment packing credit for 180 days at a rate of 9.5% on export consignments. Under the new scheme, exporters may be allowed to pay 0.5% per month less on consignments shipped before schedule. In other words, the earlier an exporter fulfils his export commitments, the lower the interest payment. The minimum rate of interest on packing credit is likely to be 7%.

If this change comes through, it will fulfil a long-standing demand of the exporting community. The latter have been seeking an interest scheme with a built-in incentive to spur the laggards into greater promptitude in executing orders.

Exporters have been at the receiving end of official largesse for some time now. That trend is likely to continue in the near future.

Deposit interest rates may rise

The Reserve Bank of India (RBI) may soon increase the deposit interest rates of commercial banks in order to correct imbalances in the interest rate structure.

Business Standard reports that the heads of several commercial banks are cut up with the poor rate of growth of deposit mobilisation in fiscal 1986-87. Deposits grew by 17%, as against 18% in the comparable period a year earlier. Particularly slack was the deposit-mopping performance of banks' metropolitan and urban branches. Bankers suspect that their share of deposits was lured away by private and public sector bonds, which pay 13%-14% interest.

In contrast, banks cannot offer more than 10% on term deposits. When the RBI abolished the 11% interest rate on five-year deposits last April, its main objective was to bring down the cost of funds. But the change has also inadvertently affected the rate of deposit growth, bankers believe.

The heads of commercial banks plan to meet the governor of the RBI on 22nd April to discuss these issues. Their agenda will also include the effect of tax concessions (granted to the national small savings scheme and an LIC scheme) on the savings pattern of depositors. Their biggest grouse, in fact, appears to be that the government has begun to compete with them for public funds.

INDIAN SHIPPING

More money for shipping cos.

The Shipping Credit & Investment Co. of India (SCICI) has signed an agreement with a British finance agency as a result of which more money will soon flow towards shipping companies to buy vessels from abroad.

Under the agreement, the Commonwealth Development Corporation (CDC), a finance agency run by the British government, will lend the SCICI £10 million (Rs. 23 crores). These funds will be disbursed to private sector shipping companies to enable them to buy ships and trawlers from abroad. Companies borrowing money under this facility will have to pay 10% interest — 1.5% more than what SCICI is paying CDC.

Shipping industry sources believe these loans are cheaper than those available in routine market borrowing. The main reason is that the interest rate is 1% below the current London inter-bank offered rate for pound sterling.

Shipping companies have yet another cause for cheer. Nearly 50% of these loans will be disbursed in foreign exchange — a change from the past practice of providing rupee loans. Will these loans help Indian shipping companies to sail away from the doldrums at last?

Housing sector loans to be doubled

Commercial banks have been asked to double their advances to the housing sector to Rs.300 crores annually by the end of 1989. The advances are to be stepped up in two phases: from Rs. 150 crores to Rs. 225 crores by the end of 1988, and the remaining Rs. 75 crores being lent over the whole of 1989.

An RBI directive issued recently says 60% of this money should go directly to individuals and groups, or to the various state housing boards and HUDCO (the Housing and Urban Development Corporation). The other 40% should be used to subscribe to HUDCO's guaranteed bonds and debentures, when these hit the market.

This is the first time in six years that banks have been urged to increase their advances to the housing sector. In November 1982, they were advised to allot Rs. 150 crores as "finance for housing." This figure continued unchanged year after year until 1987.

Given the spiralling rise in real estate prices, the RBI's directive should cheer many a heart. But it is still a far cry from raising a roof over every head in a country where the homeless outnumber those with homes.

Mutual funds in public sector only

The Union budget's panacea for the flagging capital market was the setting up of venture capital and mutual funds solely to fund new issues. Now, the finance ministry has added another proviso: such funds can be set up only by public sector banks and the financial institutions.

The reason put out officially is that the government first wants to experiment with the new concept in the public sector. If things work out, the private sector may be allowed an entry "after some years."

These funds, in tandem with the tax reliefs available under s.80CC and 80L of the Income Tax Act, are expected to ginger up market sentiment. Hopefully, they will loosen the bearhug on the stockmarkets and permit the bulls to breathe more freely.

ONGC goes to Switzerland

The Oil & Natural Gas Commission (ONGC) is going places. It recently launched its maiden public bond issue of Swiss franc 150 million (Rs. 150 crores) in the Swiss capital market.

The bond issue makes ONGC the third Indian public sector company to tap the Swiss capital market. In the past, the Industrial Development Bank of India (IDBI) and the Industrial Credit and Investment Corporation of India (ICICI) had successfully floated bonds in Switzerland.

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Studies on entrepreneurs

DEVELOPING NEW ENTREPRENEURS
By Dr. V.G. Patel and five others
(Publisher: Entrepreneurship Development Institute of India, Ahmedabad, hardback, pp.226; Rs.200)

In the foreword to this book, IDBI chairman S.S. Nadkarni says that literature on management has been scarce as far as Indian experiences are concerned, and adds: "Demonstration, evaluation and dissemination of the rapidly growing insight into development of entrepreneurs in our country ... needs to be encouraged ... the Entrepreneurship Development Institute (EDI) has been set up as a national resource organisation, a focal point of pooling together national experiences and knowledge in the area of entrepreneurship ... and sharing the same."

This book is the first sharing of national experience. Other publications are expected from this institute in Ahmedabad.

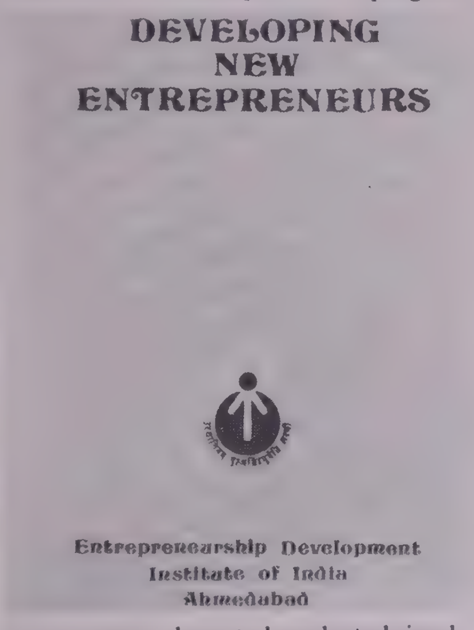
Dr. V.G. Patel, EDI's director, flags off the book with a historical review starting from the first effort, in 1970, to identify and develop new entrepreneurs from non-conventional community backgrounds, by the Gujarat Industrial Investment Corporation. Gujarat now has 5,845 units started by new entrepreneurs and 20 states carry out entrepreneurship development (ED) programmes. In this ED effort, instead of a relatively passive attempt to cater to entrepreneurs who go to a development bank, a more active approach is sought to identify new entrepreneurs and provide them with assistance to start new ventures. Patel states: "The new efforts were based on the hypothesis that there may be many more managers, supervisors, salesmen, skilled workers, artisans ... frustrated in their present careers ... some may know how to produce, repair or service ... but may not know how to set up, manage an enterprise ... market or sell ... Gujarat has identified and selected close to 9,306 new entrepreneurs in the past 16 years."

The national spread of ED programmes is through 40 different agencies, with the State Bank of India taking the lead. There are also 15 small scale service institutes, 16 technical consultancy organisations sponsored by IDBI, ICICI, IFCI and a dozen other agencies such as national banks engaged in such programmes.

INDIAN EXPERIENCE

The book is a compilation of 11 papers by six contributors and can be considered a manual on how to enhance entrepreneurial/managerial capabilities, as also a lucid account of India's experience. Indeed, Nadkarni, in his foreword says: "The success of Indian experience has now spread to developing countries and international development agencies are actively seeking Indian expertise ... to develop local entrepreneurs."

Hasmukh Raval, EDI's training wing chief, next details the process of centre selection, the rationale of generating ED programme awareness and techniques of popularising such programmes. Raval has been involved in over 100 programmes including some in countries such as Malaysia, Kenya, Ivory Coast and Senegal. The openness of the contributors is refreshing; while Raval says: "Any ad hoc decision or snap judgement while selecting ED programme centres should be avoided," Patel comments: "While the selection process has to be systematic and well defined ... sometimes exterior considerations may override ... these could be political, social or policy considerations... For example, an ED programme centre may have to be selected simply because some weaker sections of the society have to be included in the growth process." Patel has elsewhere said that while 1,000 enterprises are expected to be added to the 5,000 already in operation in Gujarat, "75% of the units in production have been found to be financially sound."



DEVELOPING
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Entrepreneurship Development
Institute of India
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From ED programme centre selection, the logical step is selection of potential entrepreneurs and this is covered in the next chapter. Some deep insights are available. For instance: "...the application forms (should) be distributed by the trainer/motivator himself ... this will provide the trainer with an opportunity to have first-hand interaction with each aspirant during which he can probe him in an informal way... indifferent routine supply of forms (should be) avoided ... after all we are assessing a human being ... no scientific approach can be foolproof ... the system has been evolved after considerable experimentation (but) the trainer/motivator (must be) involved to the right degree..."

In the next chapter, C.H. Pathak explains on the basis of the Gujarat experience, developmental inputs such as information and behaviour, as also training methodology. That many lessons have been learnt is clear in this chapter also. Pathak says of typical trainees: "The prime short-term objective of establishing his own venture is so urgent that (there is) poor attendance during the last phases of the training programme."

SSI FRAMEWORK

There is a chapter each on business opportunity guidance, how achievement motivation develops, the trainer/motivator, ED in industrially backward areas (e.g. Sikkim), women's ED and small scale industries (SSIs) in India. The last named has a six-page annexure listing official measures and programmes of assistance to SSIs in India. This in itself justifies the price of the book, as it details the statutory authorities for the promotional, technical, marketing and fiscal aspects of SSIs — i.e. the entire SSI framework is compiled in a neat tabloid form.

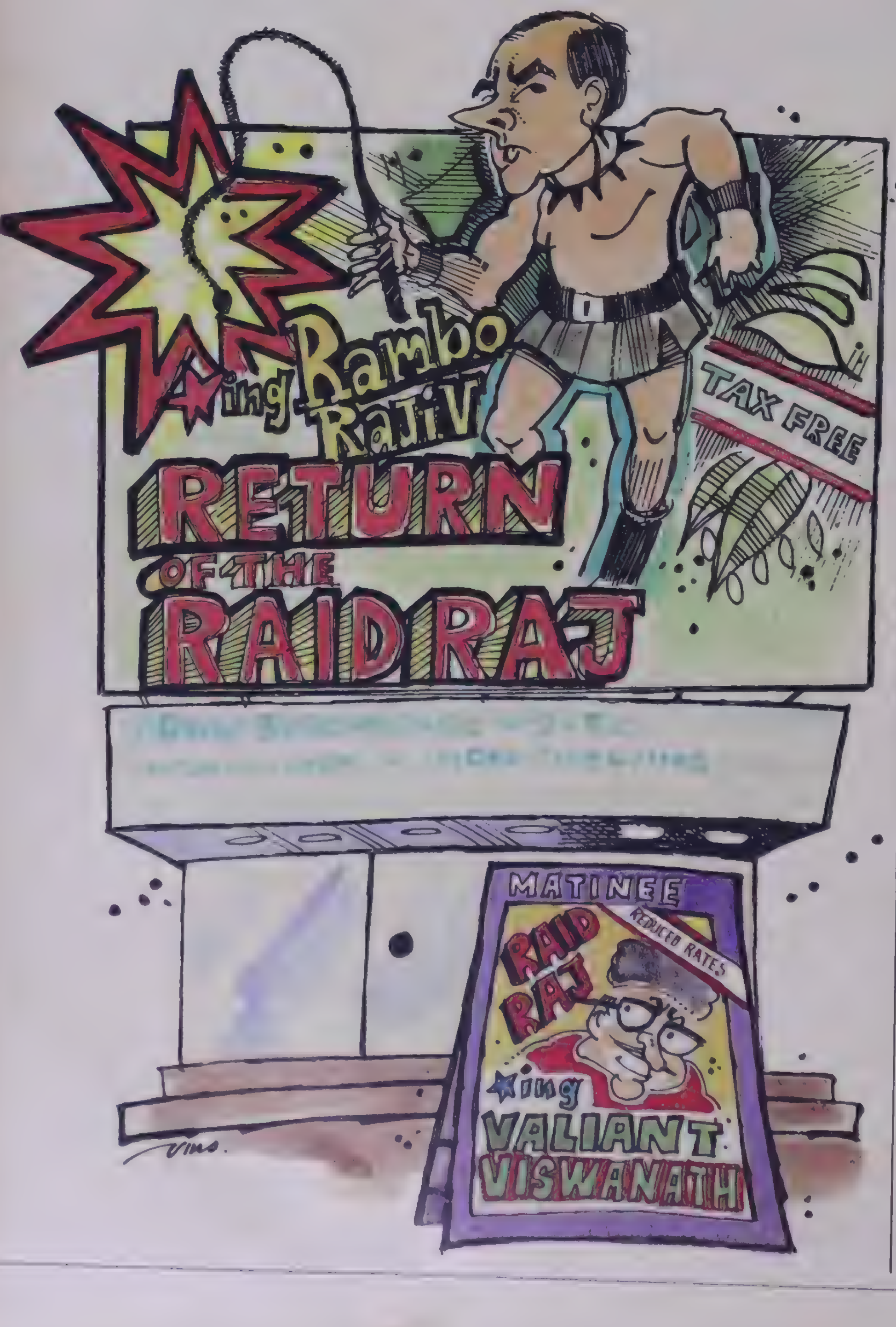
The upshot of the whole exercise is in a very short, 10-page concluding chapter titled *Profiles in New Entrepreneurship*, narrating success stories. An unschooled Sikh mechanic cajoled by a motivated trainer in the Andamans now runs an automobile workshop; an Assamese chemist recruited personnel in Ahmedabad and took them to Guwahati where he has set up a pharmaceutical unit; a Gujarati domestic servant now makes readymade garments in Panaji, Goa; a Keralite mechanical engineer makes printing inks; a hawker now makes washing soap in Kutch and is planning to manufacture bathing soaps, too.

This is an Indian book to the core. It is highly recommended for policy-makers, practitioners, academicians, field trainers/motivators and bankers. For the lay reader, it is a good look at the facilities for entrepreneurial development available in the country.

Arun Bhatia

Raid raj revisited

For businessmen who thought that with the exit of V.P. Singh the curtain had been rung down on the raid raj, 17th March came as a shocker. The moot question:is Rajiv trying to outdo Singh to make a political point?



The tax raider is back in business. The business, that is, of unsettling business. And at the receiving end of the taxman's unwelcome attentions was, among others, the man who coined the phrase 'raid *raj*' in the first place: Rama Prasad Goenka. But, surprisingly, the raid victim seemed unfazed by it all. "It (the raid) is a good thing," said Goenka. "They will know for sure that there is nothing wrong."

Time will tell whether the raids were really a good thing for Goenka or not, but behind the cloud of dust kicked up by the tax marauders can be seen the hazy outlines of a more plausible beneficiary: the Rajiv Gandhi administration, which, having raided the rich can now lay claim to the Robin Hood title.

By unleashing ferocious raids on the industrial houses of Goenka and Mallya, apart from some other smaller businessmen, Gandhi seems determined to outdo his colleague-turned-political rival V.P. Singh's zeal in letting tax sleuths loose on business bigwigs — in the obvious hope that Singh's anti-rich halo will soon be transferred to him.

Acknowledgedly the last resort in the pursuit of populism, the anti-business arrow was shot from the government's quiver on the morning of 17th March. A team of 311 income tax officials, armed with 65 search warrants (and accompanied, for good measure, by colleagues from the anti-evasion wing of the customs, the central excise and the foreign exchange regulation departments) fanned out. Their target: the 19 offices and residences belonging to the three Goenka brothers — RP, JP and GP — in Calcutta, punctually at 8.30 am. Simultaneously, raiding officials descended upon company offices and/or residences of the Goenkas at New Delhi, Bombay, Ahmedabad, Baroda, Hyderabad and Ranchi.

HELD INCOMMUNICADO

R.P. Goenka (60) the eldest brother, was held incommunicado at his Delhi residence on Prithviraj Road for a few hours, even as inspectors searched the house. He was not allowed to receive or make any phone calls. Recalls Goenka: "They came in the morning. I did not ask them to show any papers. I only asked for their identity cards. One of them flashed a card which showed that they were from the income tax department."

In Baroda, G.P. Goenka (47) the youngest, was getting ready to address the annual general meeting (AGM) of the shareholders of Gujarat Carbon Ltd., of which he is the chairman. Notwithstanding the raid, the AGM was allowed to be held. There were no indignities heaped on the raided. The other brother, J.P. Goenka (51), chairman of Oriental Carbon & Chemicals Ltd., was camping at Varanasi on that day, where he found himself playing host to some "unexpected visitors."

On that fateful Thursday, even as word got around that the formidable Goenkas were being raided, there was consternation and disbelief in Calcutta's close-knit business circles. For one, R.P. Goenka was known to be pro-establishment. ("I have only one vote, and it will go to Mrs. Gandhi," he had once said.) He was never known to have rubbed Delhi the wrong way. The question on everybody's lips was: why had RP been singled out?

Nobody knew the answer. And, as the day progressed, *bazaar* gossip threw up bizarre rumours. One suggested that industrialist B.M. Khaitan (60) had not come to office at the Macneill & Magor (M&M) headquarters; this, presumably, "proved" that he was being interrogated at home. (Incidentally, Khaitan and R.P. Goenka are related by marriage.) As things turned out, Khaitan had an unconnected reason for not attending office the M&M head office was due to witness an unruly demonstration by members of the union of one of the group companies and Khaitan, understandably, wished to spare himself the ordeal.

"It (the raid) is a good thing. They (the tax authorities) will know for sure that there is nothing wrong"

R.P. GOENKA

MISPLACED ENTHUSIASM

Besides, some of the associated raids were clearly examples of misplaced enthusiasm. For instance, plywood tycoon Shanti Prasad Goenka (59), found himself accosted by a search and seizure warrant mentioning him by name. The searches duly followed, but were predictably infructuous. Goenka — no relation of the other, and better known family of the same name — does not have any agency business in carbon black or allied products as the other raid victims had. A member of the Shanti Prasad family later confirmed that "the raiding party left with a 'nil' seizure list."

But after the entire raiding exercise was over on 21st March, the authorities were crowing about their discoveries and

Raids: who's next?

The big guns in the corporate sector have steeled themselves against being the victims of the Rajiv Gandhi administration's latest attempt to operationalise its "ongoing policy" to "root out corruption." There is a widespread feeling that the recent tax swoops are a politically motivated response to the government's felt need to acquire an anti-rich, populist image.

The raids commenced by frontal assaults on the reputations of two high-profile businessmen, *viz.* R.P. Goenka and Vijay Mallya. The inevitable happened — the raids made front page news. And not surprisingly, the news stayed on the front pages for days on end. Which is probably what the administration wanted, in the first place.

Clued-in observers predict that more raids are in the offing, at least until the "anti-big business" halo gets transferred from V.P. Singh to Rajiv Gandhi. Already, "educated" guesses are being made about the likely candidates on the government's very own and top-secret hit list. The last time around, V.P. Singh had "covered ground" with a clutch of multinationals and indigenous houses: Bata, ITC, Voltas, Brooke Bond, the Thapars, the Kirloskars *et al.* Obviously, the current list excludes these names, and covers fresh territory.

A tongue-in-cheek run down (by no means exhaustive) of those among the big fish who might well be raided in the weeks to come:

- **Bombay Dyeing.** Chairman Nusli Wadia is not exactly in the good books of Rajiv Gandhi. What better strategy than to throw more mud on the person who allegedly tried to "destabilise" the government last year?
- **Reliance Industries.** True, the budget has been favourable to Reliance. But some observers say that Reliance was "helped" by default in the face of the government's anxiety to ensure a bed of nails for Bombay Dyeing. After all, the Reliance dossier in the directorate of revenue intelligence (DRI) is a particularly thick one. Besides, why not demonstrate the "impartiality" of the government?

Chhabria: is he on the hit list?

- **The Chhabria Group.** The Chhabrias have been expanding too fast, and too extensively for the liking of conservatives. What is their great hurry? Why are they interested in liquor? May be it is time these newcomers to India were taught who's the boss.
- **The Khoday Group.** Liquor is quicker — and not for revenue raising alone, but for making profits too. Are these people paying all the taxes they ought to?
- **The Udayar Group.** Ditto. Any one who is funds flush (except politicians) is suspect.
- **JK Tyres.** The Singhanias were spared by V.P. Singh. A good enough reason to be raided now.
- **The Modi Group.** The Modis have their fingers in so many pies that a raid is probable rather than possible. And it could cover a broad spectrum, ranging from the aborted Genelec deal to charges of cartelisation in tyres

DUNCAN HOUSE

Duncan House in Calcutta: the scene of action

seizures. From Goenka Niwas on Calcutta's posh Belvedere Road, where RP and JP reside, the seizures included share certificates worth Rs. 2.55 crores, jewellery valued at Rs. 13.58 lakhs and cash of Rs. 1.4 lakhs. Besides, 30 lockers, two vaults and eight premises (including the residence of Phillips Carbon Black's vice chairman P.K. Gupta, who was away in Boston) stood sealed. Departmental officials also claimed that 28 antiques ("yet to be valued") were "recovered" from the Goenkas' ancestral home.

Besides, broad hints were dropped that the "financial transactions between the various group companies" pointed to instances of inflation of expenses and suppression of production, the "main objective" of which allegedly was evasion of taxes. However, the officials made it clear that nothing stood proved yet and the indictments were premature. "We still believe in the policy of first trusting our client's version," declared Calcutta-based income tax commissioner (technical) S.K. Gangopadhyay generously.

And going by press reports, this policy of "trust" seems to be yielding dividends. According to *The Economic Times* (19th March), Gujarat Carbon Ltd. quickly "admitted" to the income tax authorities in Ahmedabad that it had "incorrectly" claimed a tax exemption of Rs. 1.96 crores on account of depreciation. This report has not been denied by G.P. Goenka subsequently.

But last fortnight, RP and his two sons Harsh and Sanjiv were spending a lot of their time explaining to the tax authorities that "there is nothing wrong." In the early stages of the raid exercise, Sanjiv was interrogated for a gruelling 10 hours. It now seems that the raid and its follow-through concentrated on the operations of the three carbon black manufacturing companies within the erstwhile Duncan group's fold (see box, Carbon black angularities, p.81). Whether any charges will be pressed at the end of it all remains to be seen.

"The (raid) policy that has been followed for the past three years has been this government's policy and not any individual's policy"

RAJIV GANDHI

SIGNIFICANT ACTS

However, Rajiv Gandhi is unlikely to be daunted by the possibility that all this sound and fury might embarrassingly add up to zilch at the end of the day. He followed up the Goenka raids with two significant acts. First, when he intervened during a question on CBI raids in the Rajya Sabha on 24th March. He denied that former finance minister V.P. Singh had been primarily responsible for the policy of conducting raids on "corrupt" business houses by declaring: "The policy that has been followed for the past three years has been this government's policy and not any individual's policy." Obviously, the "individual" he was referring to could not have been anyone else but V.P. Singh.

The prime minister's other follow-up act was to give the nod to a second series of nationwide raids, this time on liquor baron Vijay Mallya (32), chairman of United Breweries (UB). Exactly seven days after the Goenka raids began, history repeated itself with a countrywide

Carbon black angularities

It is still something of a mystery why three carbon black manufacturers (Phillips Carbon Black, Oriental Carbon and Gujarat Carbon) were singled out for a clobbering. The carbon black manufacturing industry is scarcely the hottest of businesses going today. For one, it is not a particularly glamorous industry, perhaps partly owing to the fact that the actual process of manufacture is quite messy. Factory personnel have to scrub and shower themselves before leaving the premises in order to rid themselves of the day's accumulation of carbon dust on their bodies.

S.P. Goenka: no relation

Also, the sector is not a particularly large one. A contemporary estimate is that the aggregate net turnover of the carbon black sub-segment is approximately Rs. 175 crores. The entire output is consumed by the tyre manufacturing companies, given that carbon black is an essential raw material for automotive tyres.

Right now, carbon black manufacturers are not doing too well either. They are plagued by acute overcapacity: the licensed capacity of existing plants is 169,000 tonnes per annum and the installed capacity exceeds 200,000 tonnes. As against this, the current (i.e. 1987-88) demand is around 95,000 tonnes. As R.P. Goenka, chairman of the Calcutta-headquartered Phillips Carbon Black Ltd. (PCBL — sales: Rs. 76.4 crores in the 16-month period ended 31st March 1987), observed in his report to shareholders datelined 29th June last: "The market continues to remain highly competitive due to the considerable overcapacity in the industry."

Distinctive features. So what could have attracted the revenue authorities' wrath with regard to carbon black manufacturers? Corporate monitors point out a couple of distinctive features and industry practices which might hold the key to the answer. First, this industry is dominated by the three Goenka brothers — RP, JP and GP — who were bequeathed one carbon black company each by their father, the late K.P. Goenka. Today, though, the three brothers run independent business houses and there is no interconnection between their respective business activities.

In practice, too, PCBL, J.P. Goenka's Oriental Carbon and GP's Gujarat Carbon compete with one another in a market which JP described as "fiercely competitive" in his shareholders' report a year ago. Between them, however, these three companies hog 60% of the total installed capacity in this industry. And that is probably what attracted the taxmen. After all, the Goenkas are still one family in the public eye, and the tax authorities are bound to view their collective market domination with a jaundiced eye. Or so runs the conjecture.

Second, R.P. Goenka is the only carbon black manufacturer who also manages two tyre companies, *viz.* Dunlop and Ceat. While vertical integration otherwise may make perfect business sense, the ever-suspicious revenue sleuths probably take with a pinch of salt the argument that PCBL has a strictly commercial relationship with its 'cousins' Dunlop and Ceat. Which, more likely than not, explains why the latter companies were also raided last month along with PCBL. Incidentally, PCBL's last balance sheet (dated 31st March 1987) shows that the company owned 448,600 shares of Ceat Tyres on that day as a "trade investment."

Third, a *prima facie* curious feature of the carbon black line is the extraordinarily high expenses incurred by the manufacturers on account of commission and discount (C&D). Going back to PCBL's balance sheet, out of expenses incurred (Rs. 16.9 crores), the single largest item is C&D (Rs. 3.01 crores), followed by power and fuel (Rs. 2.17 crores) and then by salaries and wages (Rs. 1.68 crores). The same pattern holds good for Oriental Carbon and Gujarat Carbon. But to be fair to the Goenka companies, this is true for competitor United Carbon India Ltd., too. Generally, C&D costs as a percentage of sales are in the 3%-5% range (*cf.* 1.5%-2.5% for salaries and wages).

Logistical exercises. Interestingly, industry sources say that C&D expenditure is incurred not so much for selling the finished product (carbon black) to the end-user tyre manufacturing companies but to pay handling agents for ensuring the smooth flow of raw materials (naphtha-based feedstock) from the government's oil refineries. They explain that considerable logistical exercises are involved on an ongoing basis if the constant supply of feedstock is to be ensured. There are agents who handle this chore — for a price.

G.P. Goenka: spared indignities

Predictably, last month's "massive" tax raid on the Goenka carbon black companies did not omit raids on alleged or suspected agents such as S.K. Todi (of Ellenbarie Tea) and O.P. Agarwalla (of Ganapati Exports) among others. But in at least one such corollary raid — *viz.* that on S.P. Goenka (of Sudershan Plywood) — the raiding team members were left with red faces at the end of the day. They discovered that neither was S.P. Goenka a relation of the other Goenkas, nor was he involved in any agency business for carbon black feedstock.

Reliable sources at Duncan House, Calcutta, say that the raiders seized and took away a whole lot of files, invoices, correspondence, books of accounts and so on, some of which dated back to even 10 years ago. Obviously, they will need quite some time to sift through these and come up with charges, if any. The possible gravity of such charges remains a matter of speculation.

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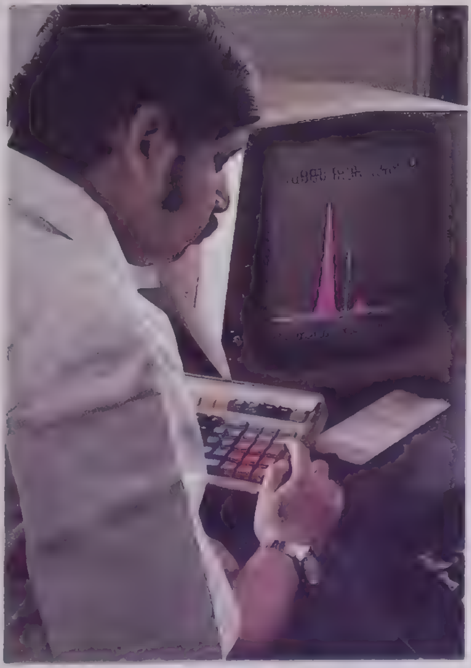
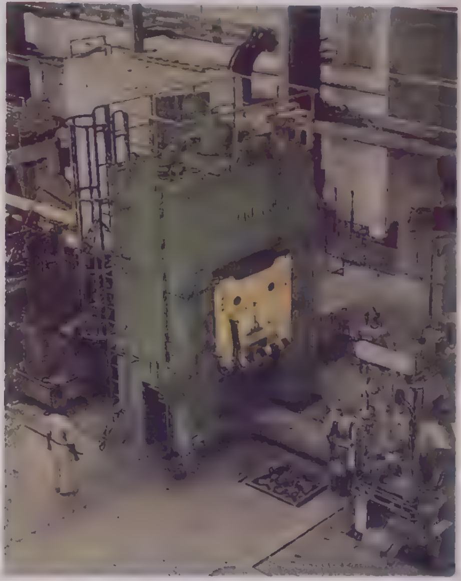


The Scanning Electron Microscope



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swoop by the tax authorities on the offices and residences of the Mallya group of companies, simultaneously at Bangalore, Bombay, Madras and Calcutta.

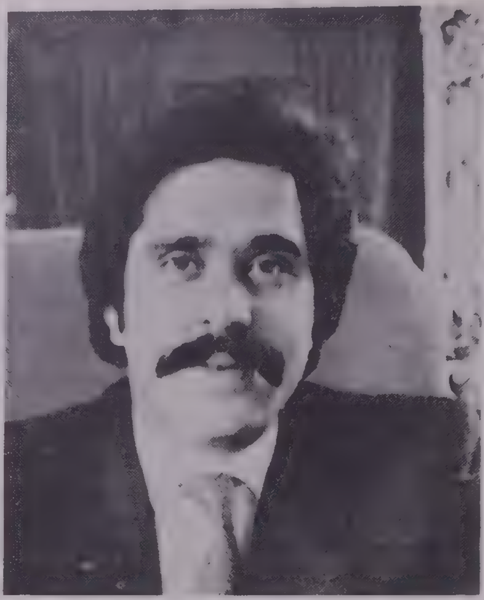
The overall picture was more or less the same: the dropping of dark and suitably vague hints about "income tax evasion amounting to a few crores" even as documents were seized, lockers and premises sealed and officials interrogated. Mallya was away in Ooty, attending the UB group workshop on information technology at the Savoy. Loth to forgo a touch of drama, officials claimed that Mallya had been "traced" to Ooty and interrogated there.

It was also "clarified" that the investigations covered Mallya's expensive hobbies — such as the owning of race horses and vintage cars. Raiding teams duly descended upon unsuspecting parties like the stewards of the Royal Calcutta Turf Club (RCTC), who were questioned about Mallya's horses, and the officers of *The Statesman*, which organises vintage car rallies in Calcutta and New Delhi every year. Clearly, the authorities left no stones unturned in their bid to uncover Mallya's "misdeeds," even as M.K. Menon, chief commissioner of income tax (Karnataka circle) blandly remarked: "It is too premature to talk about it."

One would have thought though, that Mallya had already gone through the wringer in 1986-87. It might be recalled that he had been arrested in January 1986 in the wake of charges that he had violated foreign exchange regulations by scheming with Manu Chhabria in the purchase of Shaw Wallace's overseas shareholdings. Proceedings under the stringent Foreign Exchange Regulations Act (FERA) were instituted in May 1986, the charges could not be made to stick. The Company Law Board (CLB) cleared Mallya of the charge that he had colluded with Chhabria in the Shaw Wallace affair. Also, the FERA charges brought against him at the economic offences court in Bangalore fell through.

FUND-RAISING RUN

Subsequently, Mallya went ahead to draw up ambitious expansion and diversification plans covering diverse fields such as petrochemicals, pharmaceuticals and electronics. The UB group plans to invest Rs. 500 crores in new projects over the next five years. Only in February, the fund-raising run began with Carew & Co. entering the capital market to raise Rs. 4 crores worth of convertible debentures. Group companies like McDowell, Punjab Breweries and Phipsons have blueprinted their separate growth plans. All, or some of these plans could now be wrecked, should public sector financial agencies decide to blacklist Mallya in the wake of these raids.



Mallya: a blacklist candidate?

Other projects stand to be wrecked too. Already, there is intense speculation as to whether the choice of R.P. Goenka as a target for raids is meant to signal a 'no go' red light for his pet Rs. 1,452 crore Haldia Petrochemicals project. The matter was duly raised in the West Bengal legislative assembly last month, when the project's co-promoter (the government of West Bengal) rose to Goenka's defence. Quipped Marxist chief minister Jyoti Basu: "Name a businessman against whom there is no income tax case." The chief minister added that he was determined to see that the project did not suffer "for any individual or group"; if need be, his government would raise funds by floating public bonds and "collecting money from the people."

But the expansion plans of UB and the launch of Haldia Petrochemicals apart, the return of the raid raj has brought in its wake other uncertainties and raised other issues. To start with, it has stunned the business community into a state of silence — partly due to shock and partly fear. Phillip Carbon Black's vice chairman and chief executive P.K. Gupta is also the incumbent president of the Bengal Chamber of Commerce and Industry, which had predictably failed to react (till the time of writing)— to the recent happenings. Neither have FICCI and ASSOCHAM voiced any opinion.

It is assumed that the raids have been ordered by the prime minister himself. Earlier, V.P. Singh used to disclaim foreknowledge of raids which he used to describe as a routine, departmental activity. Now, finance minister N.D. Tiwari has not dared take a similar hands-off stand. It is rumoured that his minister of state Ajit Panja did not even know of these raids.

> **'Whatever political spin-offs Rajiv Gandhi might or might not derive from the resumption of tax raids, it is clear that his battle for political survival is said to be a no-holds-barred one'**

Meanwhile, in Parliament, minister of state for home P. Chidambaram dropped a not-so-broad hint as to where the credit should go for the raids masterminded by the CBI. "The CBI functions under the ministry of personnel and the prime minister has always been in charge of this ministry. Therefore, the role of any other minister does not arise," said Chidambaram (Rajya Sabha, 24th March).

VULNERABLE HEAVYWEIGHTS

So who's next on the prime minister's very own hit list after the Goenkas and Mallya? With the political climate hotting up in anticipation of a battle royale for the Allahabad parliamentary seat, there is informed speculation that Gandhi will keep up the tempo of the raids, at least in the short run. According to one analysis, the "vulnerable" industries include liquor, tobacco, tyres and textiles, amongst others. Those who were left out by V.P. Singh are also vulnerable (see box, Raids: who's next? p.79). The Chhabrias, Singhanias, Modis, Ambanis and others "vulnerable" heavyweights of Indian business now await with resignation that fateful knock on the door.

Whatever political spin-offs Rajiv Gandhi might or might not derive from the resumption of tax raids, it is clear that his battle for political survival is set to be a no-holds-barred one. If the goodwill of industry has to be sacrificed, so be it. If investors' confidence stands to be shaken, it cannot be helped. If reputations get sullied, bad luck.

Even naive lay observers agree that the prime minister has lowered his sights from the 21st century (2001 AD) to the myopic level of the next general elections. In the process, Indian industry seems to have lost a friend.

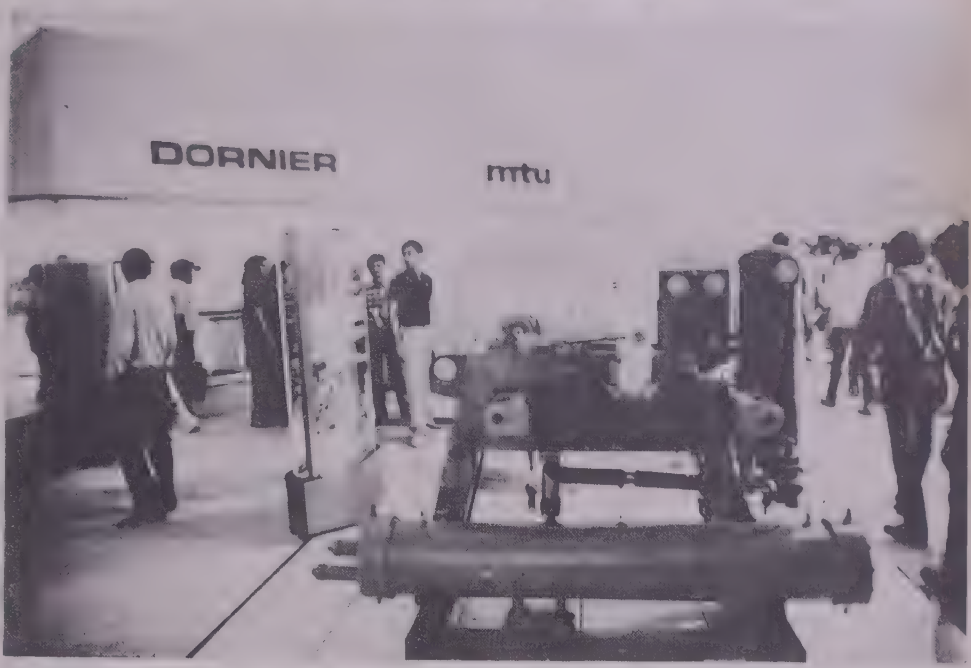
Sujoy Gupta

Waiting for Gandhi

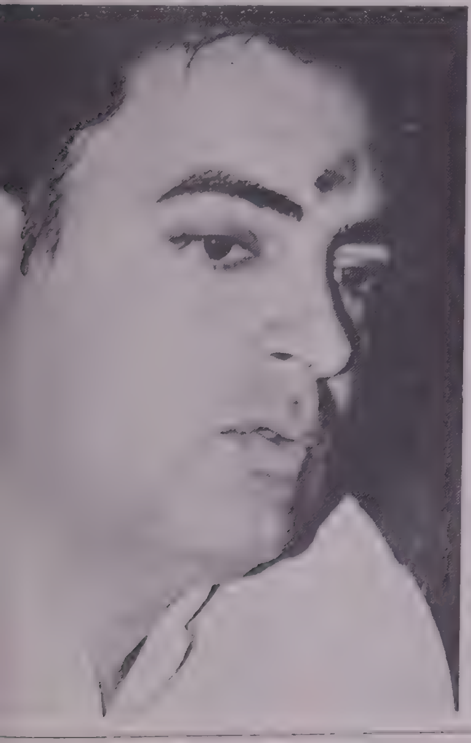
All roads lead to Delhi. Or so it would seem, judging by the long line of German luminaries trekking to the Indian capital. The German industrial spectacle, Technogerma '88, held at Delhi's Pragati Maidan in mid-March, has no doubt further fuelled German interest in the subcontinent. In private talks with Indian journalists over cocktails, however, German diplomats tend to put across the message that there is a need to maintain "two-way traffic" and that it is high time an Indian leader visited Bonn.

The last time an Indian leader set foot on German soil was in 1971, during the Bangladesh crisis, when former prime minister Indira Gandhi visited the German capital in the course of her tour of several western countries. Seventeen years have passed since then and many German luminaries, be it politicians, industrialists or scholars, have visited the Indian capital.

Prime minister Rajiv Gandhi, who is ooked upon as a pragmatist unencumbered by ideological baggage, has already been invited to Bonn. But the "yes-no-yes" kind of signals emanating rom Delhi in the past have made the Germans unsure of the Indian prime minister's intentions. The last projected visit of the prime minister, scheduled for October 1987, had to be cancelled at the eleventh hour because of "pressing domestic reasons" centering around the severe drought that was ravaging parts of the country.



Technogerma '88: industrial spectacle



Rajiv Gandhi: pragmatist

Erratic progress. The cancellation of the visit came as a surprise to many in Bonn. While officialdom expressed its "understanding" of the circumstances — diplomatic jargon implying "We're disappointed-but-we-can't-do-much- about-it" — there were many who gnashed their teeth. Indo-German relations have an enormous potential, no doubt. But they are, to quote a local Indologist, progressing like an "erratic child" who needs the strong guiding hand of a father.

Chancellor Kohl has already been to India; and so has the former Federal President Karl Carstens. Apart from protocol niceties, the visit of the Indian prime minister will officially prop up the sagging relations between the two countries and lend some colour to the otherwise dull picture in the bilateral frame. Prime minister Rajiv Gandhi, according to German sources, has now agreed to visit Bonn in the first half of this year.

Technogerma '88 will provide a new fillip to economic relations and Gandhi's visit to Bonn could well prove to be the climax of a high-pitched soprano which has been singing on without finding a suitable note for termination. Bilateral trade is valued at approximately DM 5 billion, with India balanced heavily on the deficit side. Indian commerce minister N.D. Tiwari has been urging the Germans to buy more from India and also to use their clout in Brussels to open the European Community's market for Indian products. This plea can acquire added weight if prime minister Gandhi also conveys the same message to his German hosts who have been harping all along that they are "open" to suggestions.

Plum position. Economic cooperation, as the Germans prefer to call the distasteful term 'foreign aid,' is another area where India and Germany are considerably active. Annual German allocations to India are nearing the DM 500 million level and Delhi continues to hold the plum position as the largest recipient of German aid. India could further identify specific areas of interest and projects meriting greater German attention.

German interest in India, it must be said, is not motivated by altruistic considerations. In a shrinking world of shrinking markets, German industrialists have realised that there are very few countries left on the world map which have the potential of absorbing their products. India has been identified as one such country. India's growth rates in the past and prime minister Gandhi's liberalisation policies have impressed the Germans. But the arrival of the Japanese as well in

India, has also no doubt unnerved the Germans who fear that the rug could be pulled away from under their feet by Nippon's aggressive modern-day *samurais* armed with all kinds of tricks to bag business.

India could blush at being courted by such strong contenders, but she should not shy away from choosing what is best for her. To that end, Gandhi should come to Bonn and voice his thoughts. He will be pleasantly surprised at the attention he will receive!

Manik Mehta in Bonn

JAPAN

Car industry on a collision course

Japan's motor vehicle industry, the biggest industrial success story of the last three decades, is poised to make another leap forward. The country's nine car-makers are cutting ribbons to open new production facilities around the world, with most of the activity in North America. When the series of opening ceremonies is complete in about two years' time, the Japanese will have spent nearly $7 billion (Rs.9,100 crores) and will have tripled their capacity to build cars in North America alone.

The leaders of the Japanese industry admit their new plants will create excess capacity throughout the world. They do not expect demand for cars in North America, for example, to increase much between now and 1990. They also say they have no wish to scale back their exports significantly over the same period. "In the US, it will be bloody wars. It will include American makers as well. Such a sudden increase and no growth..." says Atushi Muramatsu, executive managing director at Nissan, leaving his sentence trailing expressively in mid-air.

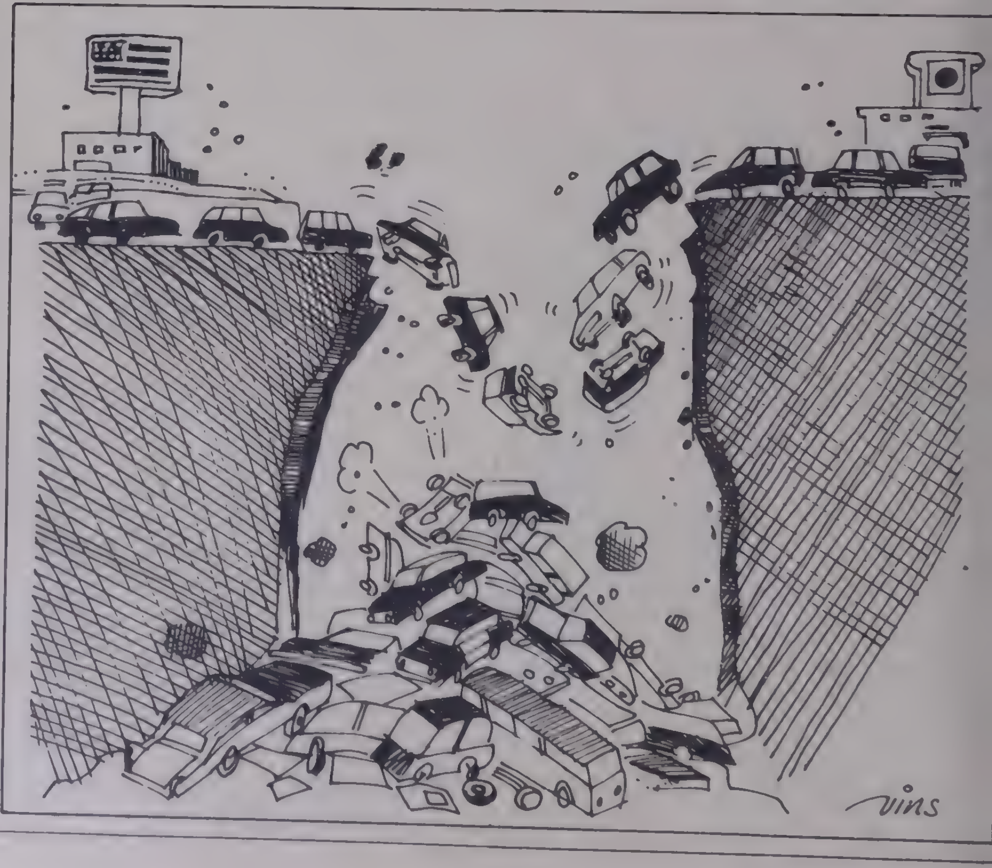
Other Japanese car-makers are less colourful, but their words are bound to provoke emotional responses from European and American car-makers. In recent interviews the leading Japanese producers have all expressed determination to maintain or increase sales worldwide. "We have no plans for a decline in exports from Japan," says Honda, despite the company's $1.6 billion investment to produce cars in Ohio. Mitsubishi Motors' president, Toyoo Tate says: "We have no plans to replace exports with local production." Mazda's new president Norimasa Furata says: "Our desire is to keep our export volume steady." Akira Soejima, senior managing director at Fuji Heavy Industries, explains: "We were invited into America. They will have to adjust output and input themselves. It's up to them."

Nissan and Toyota are less blunt, but say they are dedicated to maintaining production and thus jobs for all their employees in Japan. Toyota says Japan may have to reduce exports after 1990, but implies that the cuts should come from its competitors. Steve Miller, vice chairman of Chrysler, says the new capacity being built by the Japanese in the US is "way beyond the needs of the market" and the impact will be "horrendous." In three years, total excess capacity will disappear. "Twenty to twenty-five assembly plants will get blown away and none of them will go quietly. It will be tough on us."

Effects on Europe. The effects will almos certainly be felt in Europe too, wher manufacturers who suffer losses in Nort America will seek to enhance their sales European exports to North America wi also become vulnerable. The majo Japanese makers are committed to ship ping a new range of luxury cars to the U by 1990 to keep their home factorie busy.

Executives at the Japanese companies whether in the drab, boxy headquarter of Mitsubishi Motors or the resplenden Honda skyscraper, are unanimous in be lieving there has to be a reduction i capacity. But nearly all say it must be ca ried out by someone else. Tetsuo Chino senior managing director and presiden of Honda North America, says the Japanese factories going up in the US anc Canada are being built on "a kind o scrap and build principle." To the Japanese, understandably proud of thei new production facilities, this principle means Japan builds, others scrap. Indeed many of the Japanese facilities are being built in cooperation with US car-makers Mazda with Ford, Mitsubishi with Chrysler, General Motors with Suzuki. Thus about a fifth of the cars rolling out o Japanese plants over the next decade wil be Japanese-US hybrids carrying American brand names.

The Japanese believe this new capacity gives the Americans a golden opportunity. "It's a way for the US companies to



scrap their old plants, to rejuvenate," says Chino. Tsutomu Oshima, executive vice president of Toyota says: "Whether they like it or not, that (retrenchment) may happen. The strong will survive. Those weak plants which are not profitable may have to close." Japanese manufacturers were not strong enough to keep idle plants open. GM had idle plants all over the world.

Excess production. However, industry analysts and some executives believe rationalisation, even if US makers agree to it, cannot take place in time to prevent excess production. A study by Nomura, Japan's leading stockbrokers, says: "If all makers build as many cars as they now plan to, some 1.48 million units will be gathering dust on American lots at the end of 1990." The Japanese attitude is understandable, considering the condition of some US factories. Twelve US plants were closed last year and US analysts say that another 11 are scrapheap material. But car exports to North America have been the single largest element of Japan's huge trade surplus with the US. With the recent strength of the yen and the official Japanese campaign to reduce the trade imbalance, it has seemed logical to Japanese car-makers to use their new North American output to cut back on exports.

Some analysts believe Japanese manufacturers, particularly the weaker ones, will have to adjust to lower exports. Many believe the situation will prompt a long overdue rationalisation of the Japanese car industry. Benjamin Moyer, an analyst for Merrill Lynch in Tokyo, believes Japan's car exports will tumble to 1.6 million units in 1989 from 2.1 million units last year. But Nomura disagrees, predicting that car exports will settle at 2 million in 1990, aided by Japan's push into the luxury car market.

The indications so far are that Japan can remain ahead of the game in terms of selling cars to Americans. So far, for example, the yen's appreciation has been far from catastrophic for the leading exporters. Although sales of Japanese cars in the US dropped by about 9% last year, Detroit did much worse on its homeground. The market as a whole dropped by about 10%, but US car-makers saw their sales drop by more than 14%. Japanese car imports captured 21.3% of the US new car market, but including local "transplant production" Japanese cars took 26% of the market. Thus Japan's share of the market has grown, despite 20% increases in list prices of Japanese cars over the last two years.

At the same time, imported raw material costs have fallen for Japanese manufacturers and efficiency has been improved by increased investment in plant research and development. Margins remain unimpressive at the less efficient companies, such as Nissan, Mazda and Isuzu, for example. But none of Japan's nine car-makers faces imminent collapse.

Guaranteed sales. Indeed, thanks to US protectionism, Japan has enjoyed an excellent run in the US market. Japan's agreement to a voluntary ceiling on exports a few years back has virtually guaranteed Japanese makers fixed sales in the US within an overall ceiling.

> **'The big three US groups have acquired increasing stakes in the Japanese motor industry as part of the complex web of relationships that is being spun between the world's vehicle groups'**

Even if things do become difficult for the Japanese in America over the next few years, the home market should continue to provide substantial support. A few years ago many observers described the Japanese car market as mature, but it is now expanding again. The increasing wealth of Japan has prompted more people to buy cars, and more expensive cars. Domestic sales of cars in Japan last year jumped by more than 5%.

However, the Japanese claim they are not aiming to cause trouble in the world market. "Over-capacity does not mean over-supply," says Tetsuo Arakawa, executive vice president of Nissan. He and others say that the new US plants will be aiming to operate profitably within two or three years. Toyota's Oshima says: "The way we see the US market, it's not three (American manufacturers) against nine (Japanese) but a market where 12 car-makers are competing."

Chino at Honda believes that cooperation between the Japanese and American car-makers will solve the problem. "Iacocca (of Chrysler) complains about the Japanese but, really he wants to cooperate. This is actually about rationalisation of the industry worldwide. The collaboration between US and Japan is very strong."

The big three US groups have, in fact, acquired increasing stakes in the Japanese motor industry as part of the complex web of relationships that is being spun between the world's vehicle groups. GM holds about 40% of the equity of Isuzu and 5% of Suzuki. With Isuzu it has developed several operations around the world including the production of light vans in the UK, trucks in Egypt and engines in Indonesia. It sells some Isuzu and Suzuki cars in the US under the Chevrolet badge. In the US, GM has a 50/50 joint venture with Toyota, New United Motor Manufacturing (Nummi) for the production of a Toyota-designed car in California and also has a 50/50 joint venture in the US with a Japanese brake producer, Akebono Brake Industry.

Chrysler raised its stake in Mitsubishi Motors in 1985 to 24%. It takes cars and engines in the US from Mitsubishi and has a 50/50 joint venture in the US, Diamond Star Motors, which will soon be producing 240,000 small cars a year. Ford's stake in the Japanese motor industry is a 25% holding in Toyo Kogyo, Mazda Motor Corporation. It sells a Mazda car in Australia as the Ford Laser. And what about collaboration plans for Honda? "We have no collaboration plans because we think Honda is already an American manufacturer," Chino says.

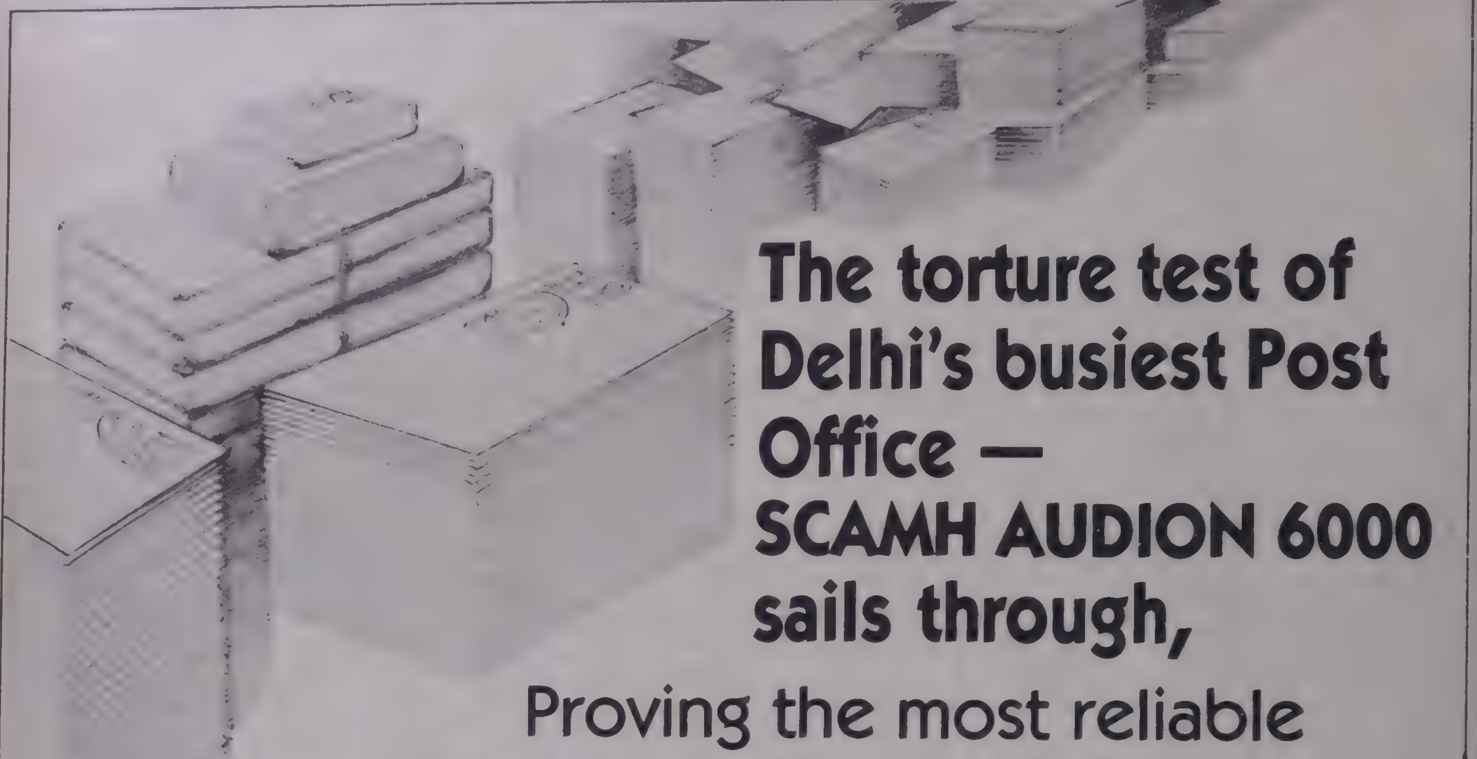
Carla Rapoport
(By special arrangement with the Financial Times, London)

CHINA

Travails of transition

After a decade of rapid economic development, China appears to be hesitant about what to do next amid the contradictions and confusion brought about by a half-reformed system.

Since 1984, industry has enjoyed double-digit growth each year, but has also suffered from serious stockpiling, reduced productivity and heavy losses. Nominal wages have grown at a pace double that of the official inflation rate, but workers' discipline and morale remain as low as before. While retail sales and investment are booming, the state budget has suffered near-record deficits. Such contradictions defy common sense economics: increased input has not led to increased output, greater supply has not dampened demand, and material incen-



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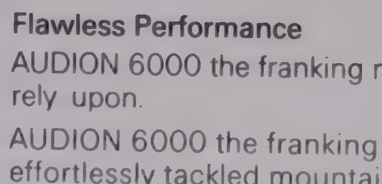

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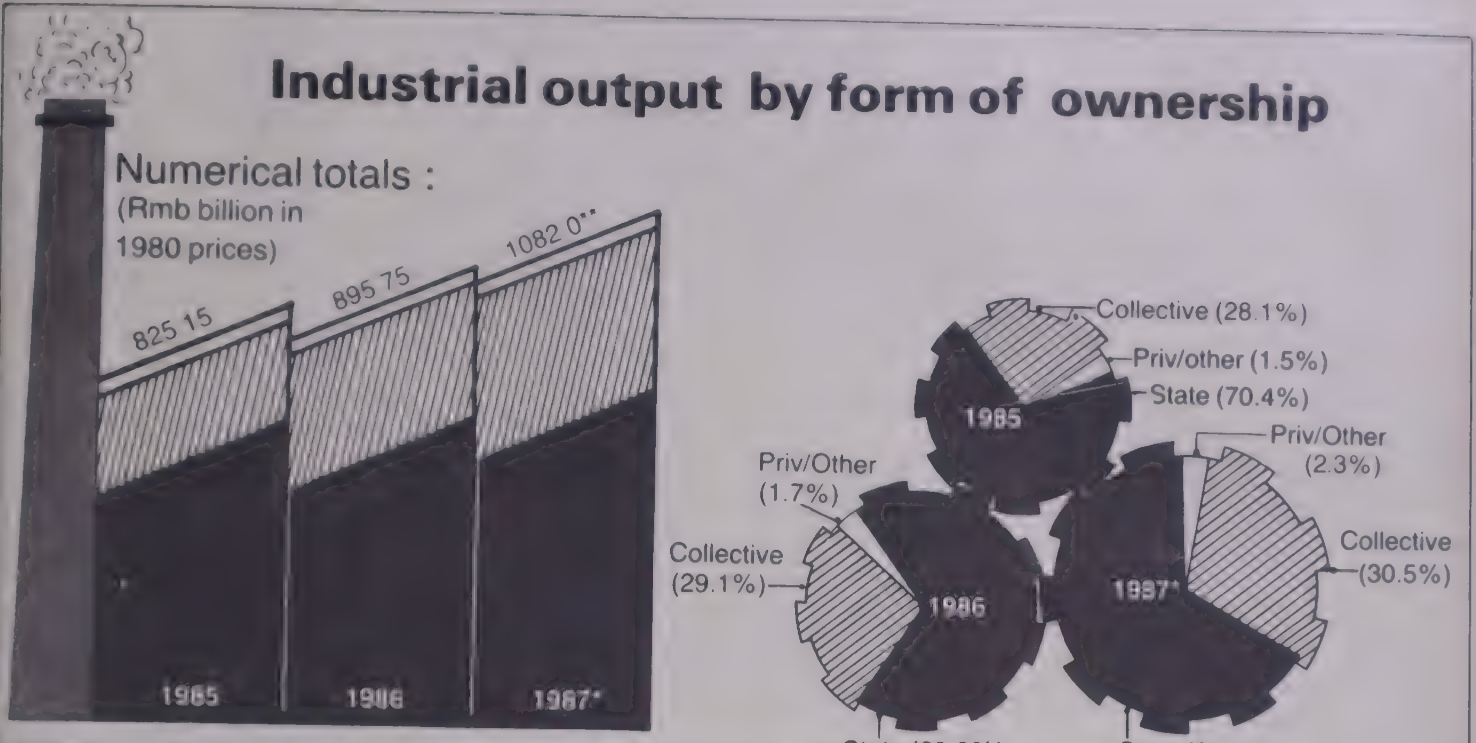


*Estimated **Excluding village level industries Source: *Far Eastern Economic Review*

tives have failed to mobilise workers.

Confusion is another feature of present times. Several prices (state-fixed, negotiated and free market) now exist for some selected commodities. Many administrative bodies such as planning commissions and industrial bureaux still continue to issue often self-defeating directives to a factory manager, though he is theoretically the boss of the enterprise. Raw-material sourcing, production and sales are now divided into planned, extra-planned and other categories, though the distinction among them is often arbitrary or blurred.

Among the manifestations of such contradictions and confusion are rampant profiteering, speculation, wide fluctuations in supply and prices, and general instability in many economic sectors reported in the national media every day. Individuals and interest groups all seek to optimise whatever benefits they can, with economic life being disorderly, unpredictable and full of opportunities for manipulation.

Problems of transition. Beneath this seemingly chaotic surface is the partly officially prompted and partly spontaneous reorganisation of capital, human, raw material and other resources. The process has barely started and certain problems are inevitable. Chinese planners and economists, however, are asking themselves if the present situation is a prelude to an economic breakthrough or whether it is going to be a prolonged, difficult period of transition. How many more dislocations can the system absorb without incurring unacceptably high political and social risks?

Most of these problems are closely associated with urban reforms which were fully launched in 1984. Before then, rural reforms were straightforward, requiring only the state to pay more for agricultural products and to step back and leave the individual alone to farm his plot. There were some unintended undesirable features (such as reduced cultivated area) but the rural reforms were by and large one steady, upward path.

When reforms moved from the countryside to the cities, complications arose when the state relaxed its tight grip over the once bureaucrat-administered economy and allowed some market forces to dictate. What Beijing has implemented so far are piecemeal and relatively moderate urban reforms (such as decontrolling prices of some raw materials and finished products, and granting factories more autonomy in production and setting prices), but the contradictions and undesirable side effects already produced are far beyond official anticipation.

Decentralisation of trading power to local levels in 1980-81 and 1984, for example, led to vicious competition at state expense and a rapid depletion of foreign exchange. Some hint of a revision of bank lending quotas led to a record credit expansion in the last quarter of 1984.

All these unwanted incidents created heavy pressure on reformers who were already on the defensive for the many unconventional ideas they pursued. As one well-informed, high-level source said: "The paramount thing as we press ahead with reform is, not to have immediate results or eventual progress, but to avoid major mishaps." In this context, the hypergrowth of 1984-85 has left a lasting mark on the leadership. Not able to bring down that surge effectively with old, well-tested administrative methods, the state suddenly realised its inadequacy in steering an economy that had become more pluralistic and unpredictable.

Short-term remedies. The concern to avoid disasters has resulted, since 1986, in short-term remedies for fundamental problems. For example, the state has increased price subsidies to cushion consumers from rising inflation, rather than decontrolling more prices, retreated from controversial policies such as bankruptcy, or simply stood still in certain sectors, such as agriculture, which was urgently in need of some direction from the top.

Pessimists see China caught in the classic dilemma experienced by other socialist countries when they tried to tinker with their system and found that halfway reforms brought out the worst of planned and market economies. Unless China makes a quick, decisive break from the old, they argue, reform momentum will be lost and whatever gains have been made so far will be nullified over time

Optimists, on the other hand, point to China's continued high-level commitment to reform, its attempt to find new solutions to overcome difficulties and the continued improvement of the people's livelihood. They also say that past successful reforms were spontaneous movements rather than well thought-out plans initiated from the top. To them, this unofficial agenda of reform has never stopped.

Economic liberalisation has led to the rise of many new economic interest groups (such as rural industries, the private sector, and the prospering coastal and southern areas) which have a momentum of their own not directly affected by state policies. In recent years, they have grown so strong that the state has often had to take them into consideration when formulating national policies. Reformist leaders also see the competition these new economic interests pose to the state sector as one major way to introduce changes. Party general secretary Zhao Ziyang's latest strong support for rural industries in coastal areas to become more export-oriented is the latest example. He has also backed the southern province of Guangdong to go for more daring changes and serve as the locomotive of reform.

Another important reform in recent years has been the emergence of new economic value (such as competition and entrepreneurial spirit) as well as market-oriented mechanisms (such as bidding, leasing, and the issuing of shares) — all of which represent a new way of production and allocating resources and threaten to replace existing bureaucratic gatekeepers of resources. New institutions which emphasise fairness and competition therefore, face constant friction with vested interests which continue to operate in the traditional way of arbitrary administrative orders and string-pulling.

Important task. One important task of the leadership, therefore, is to protect these newly-evolved and still-weak mechanisms, which should eventually form the structure of the new economic order. Noted one Chinese economist: "An able leader is not one who has some bright, comprehensive reform proposals, but rather one who can quickly spot a promising new phenomenon, give it prompt recognition, and help to promote it nationwide."

Reform has now reached the stage where certain once hotly debated arguments have shifted to a more sophisticated level of understanding. There is better comprehension that economic planning of some sort is not inevitably bad, nor is the market always the perfect allocator of resources. It is now recognised that the market which has evolved since 1978 is highly fragmented, rife with provincial protectionism and easily upset by the spectacular activities of large, quasi-monopolistic economic groups such as an important steel plant or a ministry handling one particular vital commodity. With market conditions still far from perfect, some sort of market policing by the authorities is also needed. In other areas such as monetary and fiscal affairs, there is a pressing need to come up with more effective macroeconomic controls.

The leadership has also proved to be flexible in providing more acceptable, moderate interim measures to pave the way for the eventual implementation of controversial reforms, rather than confronting opponents head-on. Money-losing factories are not now asked to go bankrupt, but to be merged with or acquired by profitable ones. The so-called contract responsibility system, widely promoted since 1986, is designed to embrace all kinds of factory management (such as leasing and joint-stock ownership) so that the thorny question of separation of ownership from management of a factory is bypassed.

> **'Economic liberalisation has led to the rise of many new interest groups which have a momentum of their own. They have grown so strong that the state has had to take them into consideration when formulating national policies'**

The order of price and enterprise reforms used to be a focal point of debate. It is now evident that unless enterprises are reformed and operate more like economic entities, and not as extensions of big bureaucracies or welfare units as they are now (in their functions to provide life-long employment and other social security to urban dwellers), they will remain unresponsive to price changes. When a factory cannot go bankrupt or is not subject to financial discipline, it will respond to rising costs by raising sale prices and staff wages, and not by reducing staff or making better use of resources.

Fine-tuning support. On the overall approach to reform, it is now agreed that piecemeal changes, such as taxation concessions to enterprises and the decontrolling of some prices, no longer work well unless they are supported by a great deal of fine-tuning such as regulations, auditing and close supervision in implementation.

Since the early eighties, the state has allowed factories to keep more of their profits, but has not found an effective mechanism to ensure that the money will go back to long-term production and not be used for immediate distribution among the workers. Municipal and provincial governments, permitted to keep a large ratio of local revenue, have not used the increased income to invest in long-term, low-yield public projects as was expected of them. State directives spelling out what various units are supposed to do with their newly obtained power and resources have fallen on deaf ears because there is little penalty for defying orders.

China is still largely a bargaining economy under which most tasks are done, not according to laws or regulations, but through negotiations between the central and the local governments, and between government departments and subordinate enterprises. A clearer and stricter accountability system and a decisive break from the current paternalistic welfare-state mentality are clearly needed if reform is to advance further. Peking is slowly moving and exploring in this direction with the much-heralded political reform scheduled to be implemented in full after being discussed at the National People's Congress in March.

Louise do Rosario
(By special arrangement with the Far Eastern Economic Review, Hong Kong)

SWEDISH NUCLEAR INDUSTRY

Countdown to closure

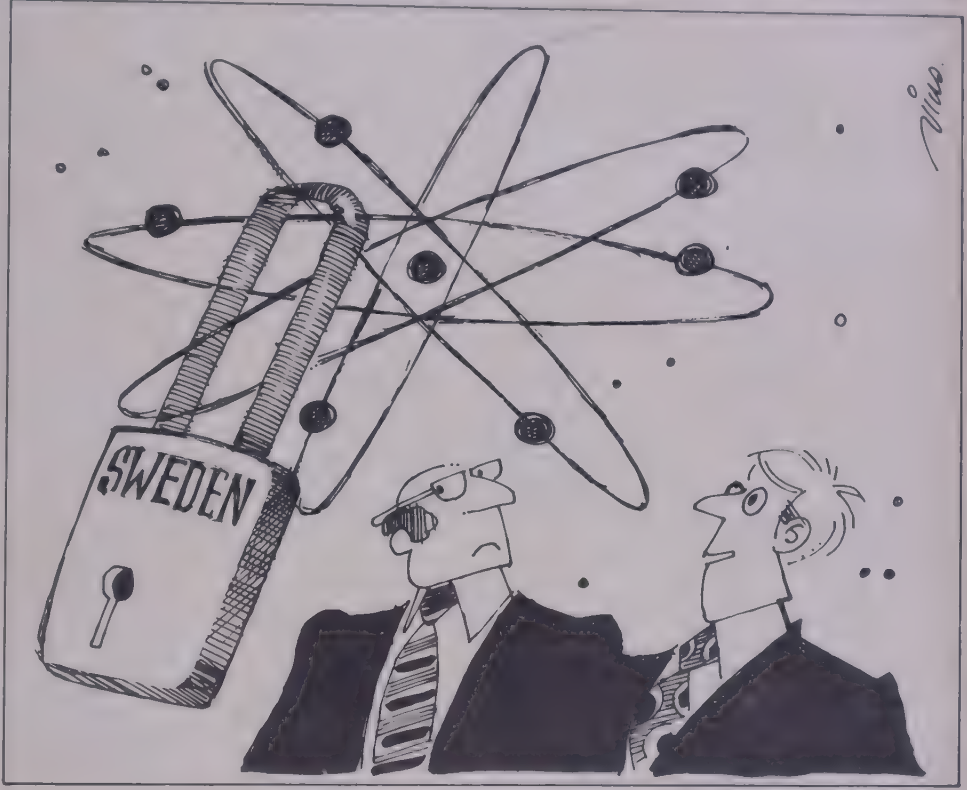
After months of internal debate, Sweden's Social Democratic government has arrived at a compromise decision on phasing out nuclear power which pleases almost nobody. The government plans to close two of the country's 12 nuclear reactors early, one in 1995 and another in 1996. The others will close before 2010. But while environmentalists want nuclear power completely phased out within three years, industrialists have warned that closing nuclear reactors will cripple certain industrial sectors. Pulled from one side by the blue-collar unions, who fear job-cuts in the electricity-dependent industries and who therefore favoured a delayed closure programme, and from the other by the environmentally-conscious youth, women's and Christian movements, Birgitta Dahl, the energy and environment minister, has been forced to take the middle way.

Sweden was already committed to phasing out nuclear power by 2010 by the referendum held in 1980. But after the Chernobyl disaster and in the face of a rising threat from the Greens, the government has felt forced to polish up its environmental credentials and speed up the closure programme. In this September's general election, the issue of energy and the environment will loom large. Recent opinion polls indicate that about 5% of those polled are wavering between voting for the Greens or the Social Democrats, and that the Greens now command enough support to enter Parliament. They could hold the balance of power between the Socialist and non-Socialist blocks in future, especially if the Communists — traditional allies of the Social Democrats — fail to get in.

Those who oppose phasing out nuclear power have loudly voiced their criticisms. A post-Chernobyl panel of experts set up to examine the question of nuclear power concluded that Sweden's 12 nuclear reactors were of a sufficiently high safety standard, and warned that closing down reactors rapidly would entail enormous costs for industry. Industrialists warned that closures would lead to sharp increases in electricity prices. This would reduce the international competitiveness of the pulp and paper, chemicals, steel and iron mining industries, and would limit their expansion at home and abroad. The director-general of the State Power Board added that the closure programme would cost Swedish Kroner (SKr) 100 billion altogether, while a study by the Energy Board suggested that up to 60,000 jobs in the electricity-intensive industries might suffer if companies chose to cut staff.

Replacing N-Power. The government rejects these "estimates" as the "propaganda of interested parties," though it has pledged to study how the problems facing industry can be reduced through subsidies or other measures. The government must also decide how to replace nuclear power, which produces 50% of Sweden's electricity. It is hoped that when the first two reactors are phased out, the shortfall can be made up through energy conservation, helped by the development of advanced technology. But towards the turn of the century, Sweden will have to replace the other reactors, with the emphasis on environmentally acceptable energy sources.

Today, hydro-electric power provides ust under 50% of electricity needs — or bout 60 twh (tera watt hours). A furthr 2 twh could be added from a few small ivers, but it is unlikely that Sweden's four large unexploited rivers — which are situated in areas of great natural beauty — would be touched. Even if they were used, they could only add about 20 twh whereas nuclear power currently provided 60-66 twh. Windpower exists on a very small scale, providing electricity for clusters of houses in Gotland and Skane. The potential for solar power appears limited — especially in view of reports that Sweden received only five hours of sunshine during the whole of last January.



Coal-fired power stations are being discussed with interest, though tight environmental demands preclude some models. But the most promising alternative is natural gas which today only meets 1% of Sweden's energy needs. According to a report from the National Energy Board, start-up and maintenance costs for gas power stations are lower than those for coal power stations. Since 1985, Sweden has imported natural gas from Denmark through pipelines up the south-west coast as far as Gothenburg. The plan is to extend the network across central Sweden to Stockholm by 1992-93 where it could eventually be extended to meet up with the network in Finland used for importing Soviet gas.

Supplying natural gas. Swedegas, the gas importer/transporter for the gas project in south-west Sweden, believes that natural gas could eventually meet 15%-20% of energy needs in prime areas. However, it has stressed the need for a choice of suppliers. When it signed its first contract with the Danish supplier, it made no allowance for price falls. The result is that it has been paying at least 20% more than it should.

Sweden has held discussions in the last 18 months with both the Soviet Union and Norway who are interested in supplying natural gas. The Soviet Union recently signed protocol agreements with Axel Johnson, the Swedish trading group, concerning the delivery of 400 million cubic metres of Soviet natural gas via West Germany and Denmark. Together with OK Petroleum, Axel Johnson will import a further 1.5 billion cubic metres via Finland. However, it is uncertain whether such deals can be financially worthwhile. High tariffs would have to be paid for importing the gas via West Germany and Denmark. And while there are discussions about importing from the Norwegian Haltenbanken field, the question arises of who will bear the cost of building pipelines and whether it would be commercially viable for the Norwegians. For the moment, the Swedes have chosen not to commit themselves. In a buyer's market, they can afford to play one suitor off against another.

Sara Webb

(By special arrangement with the Financial Times, London)

Japanese suitor wins Firestone

■ After an aggressive tussle between Pirelli SpA, Italy, and Bridgestone Corporation, Japan, to acquire the Chicago-based Firestone Tire & Rubber Co., the Japanese company has finally walked away with the prize.

The Italian cable and tyre group's $1.86 billion bid was nearly 40% less than the Japanese offer of $2.6 billion. This was the highest ever price paid by a Japanese company to acquire a company in the West, surpassing last November's record $2 billion paid by Sony, Japan, for the Columbia Records unit of CBS Inc.

The cash-rich Bridgestone is considered to be "a quite reasonable purchase" but the consensus is that the premium paid was too high.

Bridgestone currently has a 50% share of the Japanese tyre market. With its latest acquisition it will have cornered 16% of the tyre market worldwide and will rank No.3 after Goodyear Tire & Rubber Co., USA and Michelin, France.

Nestle savours Italian fare

Nestle SA, the Swiss food products giant which is the parent company of the Delhi-based Food Specialities Ltd. (manufacturers of Nescafe, Maggi and Milkmaid), has acquired an Italian food products company — Buitoni. A part of the Italian financier Carlo de Benedetti's industrial empire, Buitoni's holding company is Cie Industriali Riunite SpA.

Carlo de Benedetti has been hitting the headlines very regularly of late. In the recent past, he has been involved in a major battle to take over Societe Generale de Belgique, the largest company in Belgium. The sale of Buitoni for $1.27 billion is expected to provide him with extra liquidity to be more aggressive in his bid to possess Societe Generale.

However, the Buitoni sale puts paid to his effort to create a major European foods conglomerate. That plan had earlier been seriously affected by his failure to take over Societe Meridionale Finanziaria SpA, an Italian state-owned food products company.

Market analysts are of the opinion that Nestle has paid too high a price for Buitoni. However, Nestle feels that in view of Buitoni's product range, which includes pasta, it can create a new niche in the market for typically Italian food products. Also, the well-known Perugina brand of chocolates, which are manufactured by Buitoni, will now be the preserve of Nestle.

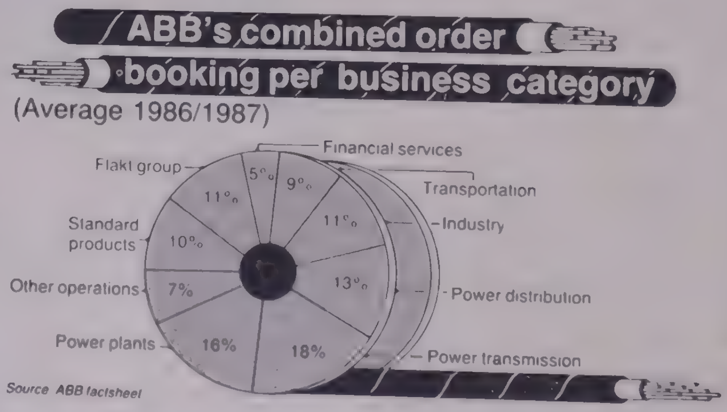
UK slashes tax rates

■ In what was said to be the "longest and the last untelevised budget speech of the country," the Chancellor of the British exchequer, Nigel Lawson, presented a pathbreaking budget last month.

There were two major changes in a sweeping overhaul of Britain's taxation system. One, the basic rate of income tax, paid by about 95% of Britons, was cut from 27% to 25%. Lawson has promised that this would be reduced further to 20% in the coming years. Two, the top rate of taxation has been slashed from 60% to 40%. Instead of the six tax brackets prevalent hitherto, Lawson has reduced it to two.

Tax allowances have been raised by 8%. Thus, a British single taxpayer need not pay tax on the first £ 2,605 he earns in a year (*cf.* £ 2,425 before). Lawson has also relaxed the tax treatment of married persons. From 1990 onwards a married couple will be treated as two individuals, paying their own taxes. Currently, a married woman's income is treated as part of her husband's.

In addition, Lawson unveiled 20 measures to simplify the tax structure and to raise extra revenue. These include the abolition of capital gains tax on assets acquired before 1982, a sharp reduction in the tax benefits on company cars, and the abolition of mortgage interest relief for house improvements. According to a senior economist of a UK-based merchant bank, in terms of reductions in taxation, the government will lose £ 4 billion annually.


ABB's combined order booking per business category
(Average 1986/1987)

Source ABB factsheet

Asea Brown Boveri: new megacorp

■ The world engineering industry recently witnessed the birth of a megacorp. Asea Ltd., Sweden, and Brown Boveri, Switzerland, merged in January, forming Asea Brown Boveri (ABB). The merger makes ABB the largest electrical engineering group in the world, with 180,000 employees and annual sales of $18 billion.

According to a fact-sheet distributed by ABB's Indian subsidiary, Hindustan Brown Boveri, the Swedish and Swiss giants will both hold a 50% stake in ABB, which is to be headquartered in Zurich, Switzerland. ABB will control 700 companies, covering 40 areas of business.

ABB has industrial bases on all continents. The group's activities are in the power, industrial and transportation sectors.

Europe's bid for a superchip

■ In a world of business competition, some European governments and industries have joined hands to establish a new research scheme to make technologically upgraded microchips. This European move is intended to counter the $1.5 billion Sematech chip research financed by the US government and a more intensive research programme now underway in Japan for developing an advanced semiconductor.

The eight-year European scheme with an investment of $2.4 billion will be called European Semiconductor Silicon. The promoters of the scheme include the West German and Dutch governments, and 50 major Europe-based companies and scientific institutes. It is reported that many more governments, including that of the UK, are likely to join the scheme in course of time. The leading companies already involved in the scheme are Siemens of West Germany and Philips of the Netherlands.

The scheme will develop, design and manufacture a microchip that will be much more powerful than today's best chips.

Apple bites competitors

■ Apple Computer Inc. has taken on two computer heavyweights in its fight to protect its graphics software.

In a suit filed in the San Jose (California, USA) federal court, Apple has alleged that Microsoft Corporation and Hewlett-Packard Co. have violated the copyright which it holds "for the slick way its popular Macintosh computers display information on a video screen."

So far there has not been a definite ruling in the case of software copyright. According to industry monitors, this case may finally decide the issue. In the suit, Apple alleges that Microsoft's Windows and Hewlett-Packard's New Wave — two "operating environment programs" which are compatible with IBM's personal computers — closely resemble that of the Macintosh.

However, the two defendants are all set to fight Apple. A spokesman of Hewlett-Packard alleged that Apple's court battle was "an effort to thoroughly confuse our customers and to intimidate software developers." The rest of the computer manufacturers see in it an attempt to suppress competition and stifle the development of graphics and visual display standards in the computer industry.

New US-Japan trade friction

■ The world's top two industrial powers, the US and Japan, have had a number of trade pow-wows in the past. They have clashed once again over Japan's policy on the award of construction contracts.

Many US and Asian builders are eager to break into the huge Y 60 trillion (Rs. 6,12,690 crores) Japanese construction market. However, under one pretext or the other, Japan has stuck to a policy of keeping foreigners from landing major contracts. Even the most competitive South Korean construction companies have been excluded from bidding for public works contracts.

The Japanese excuse is that the entry of giant builders will wipe out small local companies. Neutral observers say that the Japanese government has, in effect, succumbed to the pressure mounted by the strong domestic construction lobbies.

According to published figures, Japanese companies picked up Y 360 billion worth of construction business in the US in 1986. On the other hand, the US was able to win only Y 46 billion worth of business in Japan, creating a bilateral trade imbalance of Y 316 billion (Rs. 3,160 crores) in construction trade. The American frustration will continue until US companies start to win major contracts in Japan.

Toyota to buy Cray supercomputer

■ Toyota Motor Corporation has decided to purchase a supercomputer from Cray Research Inc. This $8 million transaction is of great significance to Cray, which gets a foothold in Japan's biggest automaker. The purchase also illustrates the willingness on the part of Japanese companies to buy big-ticket technologies from US companies rather than from their traditional partners at home.

Tokyo has been under pressure from Washington to increase imports of supercomputers, and US trade officials want more Japanese public sector buyers, such as national universities and government laboratories, to be among the clients. Only one purchase by a public institution — the Tokyo Institute of Technology — occurred in 1987. The institute bought an American supercomputer from ETA Systems Inc. — a subsidiary of Control Data Corporation.

The Japanese government too has been pressuring big corporations to buy supercomputers from US manufacturers. Nissan Motor Co., for instance, succumbed to such pressure in 1985 and bought a Cray instead of a Hitachi machine. Jun Sakakibara, director of information systems at Toyota, however, denies that the Cray purchase was based on political considerations. Cray's wide variety of software was what attracted Toyota, claims Sakakibara.

Kume: strategist

Honda to roll out new products

■ Honda Motor Co. is revving up to face the future. The 1988 sales forecasts of the Japanese giant show a 16% increase over 1987. In absolute terms, Honda plans to hawk 950,000 motorcycles and 620,000 cars this year.

Tadashi Kume, president of Honda Motor, says the company has already worked out its strategy to hit these ambitious targets. Later during the year, Honda will launch its new Bros and AX-1 sports motorcycles. New models of scooters and sportsbikes featuring four-cylinder in-line engines are also to be introduced.

Kume says that in the automobiles segment, Honda has decided to launch a new Accord coupé soon. Besides this, a compact car should be ready to roll by mid-year — a project taken up jointly with the Austin Rover group of the UK.

Honda reorganised its operations last year to cope with the skyrocketing yen. The keystone of its strategy has been to increasingly shift manufacturing operations to its American plants. Taking advantage of the low dollar, Honda is all set to storm the export markets. In any case, it is certainly on the fast track in sales growth.

Schweitzer at the wheel

■ Louis Schweitzer, grand nephew of Albert Schweitzer, cousin of Jean-Paul Sartre and son of former International Monetary Fund (IMF) chief Pierre Paul Schweitzer, has had a tough act to follow in life, but so far hasn't fared too badly. By 1984, at the age of 42, he was chief of staff to former French prime minister Laurent Fabius with the reputation of being a tough manager, unafraid of wielding power. In 1986, after the socialists' electoral defeat put paid to that power, Schweitzer found himself with a second-tier job at the Renault Auto Co. where he had the new centre-right government breathing down his neck.

Now, after two years at Renault, Schweitzer has been appointed director (planning & finance) and his job is to help keep Renault in the black after its return to profitability in 1987. According to Schweitzer, his job is actually four-in-one: to keep Renault's auto-loan activities (which boomed with European auto demand last year) from suffering when overall demand eventually declines; to manage the company's treasury; to control Renault's spending (and ensuring that the company maintains an austerity policy despite increasing euphoria at its multi-billion franc profits in 1987); and finally, to develop broad plans for the company which has, for the past several years, only been attempting to cut losses.

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HIGHLIGHTS

- Promoted jointly by United Breweries Ltd. (the holding Company of the UB Group) and The Orissa State Electronics Development Corporation Limited (ELCO).
- UB ranks as one of the fastest growing groups in the country.
- The country's only integrated project for Electronic Private Automatic Branch Exchanges (EPABXs) and Push Button Telephone Instruments (PBTs) — resulting in lower project cost.
- Technical collaboration with ATEA of Belgium (a Siemens — GTE venture) for EPABXs. GTE is one of the largest telecommunication companies in the world (annual turnover — US $16 billion).
- Technology for PBTs from Ericsson Information Systems AB of Sweden.
- No gestation period — Sales already commenced.
- Assured and growing market. Orders worth Rs. 5.70 crores on hand.
- Professional management.
- 80 CC and Wealth Tax Benefits.
- Listing on Bombay, Calcutta, Delhi and Bangalore Stock Exchanges.

ISSUE OPENS FOR
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GARWARE NYLONS

Unexciting outlook

Notwithstanding the sharp reduction in excise duties on nylon as well as polyester filament yarn in the latest Union budget, the immediate outlook for Garware Nylons Ltd., a major nylon yarn spinning company, is unexciting.

The company, which has increased its nylon and polyester filament yarn capacities to 6,000 tonnes and 3,500 tonnes respectively, has been facing keen competition of late which will intensify as more companies enter the field. As a result, the company will have to pass on a substantial portion of the duty benefits to consumers in order to sell its products. On the other hand, the cost of production is also increasing. Last year, its interest burden had crossed the Rs. 10 crore mark as against its equity capital of Rs. 9.72 crores. And on 1st October 1987, the company's borrowings stood at around Rs. 75 crores on its net worth of Rs. 23 crores which means that the interest burden will be heavy this year also. This will eat away the benefits of duty reduction available, if any, in the current year.

If the actual half-time performance is any indication, the company's sales and profits during the current year ending 30th September 1988 will be similar to that of the previous year and the equity dividend may be maintained at 15%.

But the long term outlook of the company may improve after it implements its on-going nylon tyre cord project. Nylon tyre cord is a highly remunerative business proposal at present

TRIVENI ENGG.

Dividend hike likely

The short and long term outlook of Triveni Engineering Ltd., the Delhi-based, low-profile sugar and engineering company, is highly promising.

The company engaged in the manufacture of sugar, sugar machinery, steam turbines, etc.,has been doing extremely well in its current year ending 30th April 1988. If the performance so far is any indication, sales will cross the Rs. 60 crore mark (*cf.* Rs. 47 crores achieved in 1986-87) and profits will more than double. Shareholders can expect a much better return than the dividend of 17% paid last year.

Prospects for the coming years are more optimistic. The company has embarked upon an ambitious modernisation programme of its sugar plant located at Khatauli in the Muzaffarnagar district of Uttar Pradesh. At the same time, it has also taken up an intensive cane development scheme. Both these plans, when completed by April 1990, will substantially expand sales and profitability.

In the engineering sector, the company has diversified into the promising field of waste, industrial water and sewage treatment in technical collaboration with Envirex Inc, USA. At a time when awareness about pollution control is growing rapidly in the country, this diversification will prove highly rewarding to the company.

DCW

Bright prospects

There are good tidings for the shareholders of DCW Ltd., the Sahu-Jain group company which manufactures caustic soda, soda ash and PVC resins. Formerly known as Dhrangadhra Chemicals Works, DCW is doing well in the current year ending 30th September 1988 — which is also its golden jubilee year — and the management may reward the shareholders by issuing bonus shares.

The company's financial position is sound. By the end of the current year its reserves will shoot up to around eight times its equity capital of Rs. 2.94 crores. Its dividend paying capacity is also good; last year it had paid a dividend of only Rs. 1.80 per share on earnings of Rs. 16.58 per share.

If the performance of the company in the current year is taken into consideration, sales and profits are likely to register a marked improvement over that of the last year.

Future prospects are even better. The company has applied for a substantial expansion of its PVC resins manufacturing capacity. The added capacity will give a big boost to the company's profitability.

Companies this fortnight

(Rs. crores)

	Garware Nylons (year ending August)			DCW (year ending September)			Triveni Engg. (year ending April)		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
Sales	110.97	105.57	110.38	67.43	85.27	97.55	62.98	42.53	47.49
Gross profit	9.28	4.62	5.33	2.15	9.29	8.73	1.24	1.22	1.55
Paid-up capital	9.72	9.72	9.72	2.35	2.35	2.94	2.00	2.00	2.00
Reserves	6.27	13.65	13.31	8.09	15.26	20.61	5.57	6.34	7.30
Gross fixed assets	109.47	121.24	126.20	59.28	61.23	62.50	19.73	19.97	19.96
Dividend (%)	18.00	15.00	15.00	Nil	15.00	18.00	12.00	15.00	17.00
Earnings per share (Rs.)	9.04	1.36	1.14	8.78	31.16	15.58	5.35	5.26	6.56
Paid-up value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on 1st April 1988 (Rs.)			32.50			46.00			13.75

BATA INDIA

Jump in turnover

Bata India Ltd. has announced an impressive spurt in its turnover for the year ended 31st December 1987. The company's sales amounted to Rs. 259.5 crores — an increase of 14% over the previous year. Exports accounted for Rs. 6.4 crores of the turnover, up 22% from the previous year.

Profit before tax and after depreciation amounted to Rs. 7 crores (*cf.* Rs. 4 crores in 1986), in spite of the unprecedented increase in the prices of major raw materials during the year. The directors have recommended a dividend of 15% on a capital enhanced by the issue of bonus shares in the ratio of 1:1 during the year.

The company has set up a new factory in the Peenya industrial area near Bangalore to produce two million pairs of sports shoes employing sophisticated technology.

ZUARI AGRO

Drought-hit performance

This year's drought has hit the Goa-based Zuari Agro Chemicals Ltd., as it has other fertiliser manufacturers. The company's working results for the year ended 31st December 1987 show that the sales turnover declined to Rs. 165.74 crores from Rs. 190.37 crores in 1986. "Difficult marketing conditions due to drought, reduced allocations under the Essential Commodities Act and a freeze on the marketing of pool urea" are the main reasons for the decline, the company states.

Profits have halved to Rs. 4.35 crores from Rs. 8.68 crores in 1986. Depreciation was practically unchanged at Rs. 7.47 crores, while taxes were lower at Rs. 4.20 crores (Rs. 6.75 crores in 1986). However, despite these trying conditions, the company has maintained its dividend at 25% for 1987.

GOODYEAR

Good show in bad year

Goodyear India Ltd. reported a lower sales turnover of Rs. 173 crores for the year ended 31st December 1987 against the Rs. 180 crores achieved in the previous year. The decline has been attributed to the loss of production suffered by the factory due to the acute power shortage in a year of unprecedented drought.

However, the company recorded higher profits of Rs. 17.94 crores (*cf.* Rs. 16.02 crores) before taxes and depreciation by maintaining a tight control over operating expenses and the better management of working capital. The directors have, therefore, recommended a higher dividend of Rs. 3 per share (*cf.* Rs. 2.50 in 1986). The dividend absorbs Rs. 2.24 crores and the reserves (excluding revaluation) have swelled to Rs. 24.67 crores from Rs. 18.26 crores in 1986.

HINDUSTAN CIBA-GEIGY

Good performance

1987 was no different for Hindustan Ciba-Geigy Ltd. For, the Bombay-based company also saw an increase in profits last year.

A growth of 13% in the turnover of the company raised sales for 1987 to Rs. 176.79 crores. Gross profit improved by 41.5% to Rs. 17.83 crores, while the post-tax profit was Rs. 6.76 crores — an increase of 29%. Consequently, the board of directors has recommended a dividend of 20% *cf.* the 18% paid in the previous year.

CRISIL

Rating symbols finalised

The Credit Rating Information Services of India Ltd. (CRISIL), recently promoted by the Industrial Credit & Investment Corporation of India (ICICI) and the Unit Trust of India (UTI), has finalised the symbols it intends using to rate debentures.

The symbols are of the kind used widely in the West. At one end of the spectrum are the 'AAA' and 'AA' ratings, which indicate that the debentures are very safe in terms of interest payment and the repayment of principal. A little lower down the scale are debentures rated 'A' and 'BBB,' which represent adequate to low safety. These debentures are safe enough at the time of rating but altered circumstances could reduce the safety element.

Speculative grade ratings range from 'BB' (inadequate safety) to B (high risk) and C (substantial risk). At the bottom of the scale are D-rated debentures of companies which have either defaulted on their interest payments or are expected to default on maturity.

CRISIL recently rated the Indian Petrochemicals Corporation's Rs. 64.67 crore bond issue as 'AAA.' The issue closed on 31st March.

SM DYECHEM

New project

SM Dyechem Ltd. (sales: Rs. 6.25 crores in the year ended 31st March 1987), the Bombay-based manufacturer of speciality chemicals for the dyeing and bleaching of textiles, has added more products to its menu. It is now manufacturing speciality chemicals for such core industries as pharmaceuticals, leather, man-made fibres, yarn, paints, paper and ceramics as well as consumer product industries such as cosmetics and detergents.

Inaugurated on 27th March, SM Dyechem's project, involving a collaboration with the West Germany-based Zschimmer & Schwarz GmbH, is located in the backward area of Mulshi taluka in Pune. The Rs. 2.5 crore project will manufacture a wide range of basic chemicals and formulations. It is estimated that these chemicals, which are currently being imported, will save the nation Rs. 25 crores per annum in terms of foreign exchange.

Meanwhile, an official representative of Zschimmer has stated that apart from the transfer of technology to its Indian collaborator, the company plans to invest in the project to the extent of 40%. Besides, it also plans to establish R&D and applications development facilities in India.

SWISSAIR

New services

Swissair's summer schedules, effective from 27th March, should come as good news to travellers to and from India as increased seat capacity is being offered via Bombay.

The Bombay-Bangkok-Hong Kong route will now be separately served four times weekly, and there will be two weekly flights to Manila. Keeping the comfort of the traveller in mind, Swissair is offering separate check-in facilities for first, business and economy class passengers at Sahar Airport, Bombay. There is also an exclusive lounge for first class passengers to relax in before boarding the aircraft. Passengers and their baggage are checked in by Swissair's computerised system right through to their final destination. In addition, Swissair operates four cargo flights every week — bound for both the East and the West — to help the Indian exporter.

SKF BEARINGS

Higher dividend

SKF Bearings India Ltd. has announced improved results for the year ended 31st December 1987. Sales jumped up to Rs. 83.86 crores (*cf.* Rs. 66.07 crores in 1986), while gross profits spurted to Rs. 26.58 crores (Rs. 20.75 crores). After providing for depreciation, taxation and interest, the net profit was higher at Rs. 10.84 crores (Rs. 9.23 crores). The directors of the company have recommended a dividend of 22% *cf.* the 20% paid in the previous year.

INGERSOLL-RAND

Small improvement

Ingersoll-Rand (India), the Bombay-based engineering company manufacturing drilling equipment and air compressors, has recorded marginally improved results for the year ended 31st December 1987.

Sales turnover increased by 9% to Rs. 77.14 crores against Rs. 70.70 crores in the previous year. Net profits too rose in tandem by 13.3% to Rs. 8.68 crores against Rs. 7.67 crores in 1986.

The company's directors have recommended a dividend of 30% as against the 25% paid in the previous year. The dividend will absorb Rs. 2.37 crores of the profits, leaving a balance of Rs. 4.61 crores to be transferred to general reserve.

SIPTA COATED STEELS

Maiden dividend

The Bombay-based Sipta Coated Steels Co., which has achieved 100% capacity utilisation in the very first year of commercial production, has declared very encouraging results for the year ended 31st October 1987.

The company's sales in the recently concluded year went up to Rs. 55.78 crores and the net profit to Rs. 2.90 crores. The directors of the company have, therefore, declared a maiden dividend of 15%.

The company's programme to expand its production capacity from 40,000 tonnes per annum (tpa) to 50,000 tpa is nearing completion. In order to procure the finance needed for implementing the expansion, the company had recently come out with a rights issue of convertible debentures. With internal competition hotting up, the company is trying to export its quality products to the developed and underdeveloped countries. The company has already obtained some export orders.

ASEA LTD.

Hike in dividend

For Asea Ltd., the Bombay-based manufacturer of electronic, electrical and mechanical equipment such as switch gears, control gears, and control and relay panels, 1987 has brought in higher profits.

The sales turnover of the company was higher — Rs. 36.58 crores in 1987 *cf.* Rs. 32.66 crores in the previous year. Gross profits were up 46.5% to Rs. 4 crores and net profit almost doubled to Rs. 93.4 lakhs from Rs. 53.8 lakhs. This has prompted the board of directors to increase the dividend to 18% *cf.* the 15% paid in 1986.

During the recently concluded year, Asea successfully launched a new generation of medium voltage SF6 switch gears, styled Safesix. Several orders for such circuit breakers have been received, indicating encouraging long-term prospects for the company.

CENTRAL BANK

Deposits up 18%

The Central Bank of India's (CBI) average weekly deposits rose 18.1% during 1987, the highest recorded in the last six years. Total Indian deposits also rose 18% to Rs. 8,243 crores, while aggregate deposits touched Rs. 7,700 crores as on the last Friday of December 1987.

The bank's Centralcard scheme has been expanded considerably: member establishments have swelled to 7,000 while the number of cardholders approached has been 30,000. CBI has also tied up with Vysya Bank Ltd., and the United Bank of India to issue Centralcards to their customers. This arrangement, CBI claims, will make Centralcard the largest credit card chain in the banking industry.

PREMIER CONSTRUCTION

Improved profits

The Bombay-based Premier Construction Co. Ltd. (of the Walchand group) has maintained the dividend at 20% for the year ended 31st December 1987. Profits before interest, depreciation and taxation improved from Rs. 1.39 crores in 1986 to Rs. 1.65 crores this year. Net profits too were a shade

NEXT FORTNIGHT

April 15 & 16
Markserve-88
Venue: Taj Mahal Hotel, Bombay
Organisers: MBA Programme Centre, University of Poona (Tel: 56067)

April 15-17
Value engineering
Venue: Hotel Ambassador, Madras
Organisers: Institute of Public Relations and Management, Madras (Tel: 479217)

April 18-22
Personal computers and their application
Venue: MDI campus, Gurgaon
Organisers: Management Development Institute, Gurgaon, Haryana (Tel: 21173)

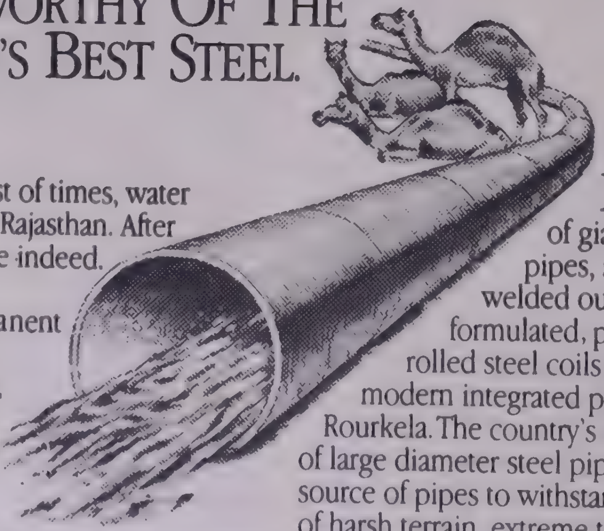
April 22
Oral communication
Venue: Oberoi Towers, Bombay
Organisers: Creative Communication & Management Centre, Bombay (Tel: 273006)

April 22 & 23
Finance projects: the future scenario
Venue: Hotel Taj Coromandel, Madras
Organisers: Madras Management Association (Tel: 475800)

April 25-29
Effective educational management
Venue: XLRI, Jamshedpur
Organisers: XLRI, Jamshedpur (Tel: 25231)

IN RAJASTHAN, THE WATER-CARRIER HAS A VERY SPECIAL ROLE.

A ROLE WORTHY OF THE NATION'S BEST STEEL.



Even in the best of times, water is not abundant in Rajasthan. After drought, it is scarce indeed.

To find a permanent solution to this perennial problem, the Government is building a network of pipelines to carry water from surrounding regions into the Rajasthan heartland.

In the shape of giant steel pipes, spiral-welded out of precisely formulated, precisely hot rolled steel coils at SAIL's very modern integrated plant at Rourkela. The country's only producer of large diameter steel pipes. The right source of pipes to withstand the effects of harsh terrain, extreme temperatures, and huge internal pressures over hundreds of kilometres.

Of course, SAIL not only produces the pipes—its Central Marketing Organisation also ensures delivery at the right time, and in the right condition—wherever they are due. As in Rajasthan today, so at other sites where they may be needed—to carry water, gas, oil, chemicals and petrochemicals.

The Rajasthan pipelines are yet another affirmation of SAIL's readiness in the hour of national need.

STEEL AUTHORITY OF INDIA LIMITED
CENTRAL MARKETING ORGANISATION

CONTAD/SAIL/1-88

better at Rs. 53.91 lakhs (*cf.* Rs. 51.29 lakhs in the previous year). The amount available for appropriation is, however, higher with Rs. 52.34 lakhs brought forward from the preceding year.

The proposed equity dividend along with the preference dividend of Rs. 4.09 lakhs absorbs Rs. 45.30 lakhs and after transferring Rs. 10 lakhs to general reserves, the surplus carried forward amounts to Rs. 50.95 lakhs.

Premier Leasing, a division of the company, also improved its working during the year, and disbursed Rs. 82.71 lakhs in leasing and hire purchase operations. The total assets leased by the company as on 31st December 1987 stood at Rs. 3.17 crores (*cf.* Rs. 2.41 crores in 1986), while the stock on hire amounted to Rs. 17.51 lakhs.

O&M PR

Prestigious award

Vying with entries from 10 other countries, Ogilvy & Mather Public Relations (O&M PR) has been awarded the prestigious Asia-Pacific Regional Public Relations Award for 1987 for its communications programme designed for VST Industries Ltd. The campaign, masterminded by general manager T.C. Ajit and accounts manager B.N. Kumar, is an expression of "creative imagination and a thorough execution of accomplishing the goals of the client," according to Jonathan Rinehart, chairman, O&M PR worldwide. O&M PR, which has been functioning for the past two-and-a-half years, currently has branches in Delhi and Bangalore, too.

INDIAN OXYGEN

Appeal allowed

Indian Oxygen Ltd.'s appeal for the dismissal of a shareholders' suit was allowed by Justice S.C. Sen of the Calcutta high court on 18th March 1988. The suit, alleging financial malpractices on the part of three of the company's directors, was filed by two of the company's shareholders, one of whom was an ex-employee. The company alleged that the suit had been filed in abuse of the process of court, disclosed no cause of action and hence was not maintainable.

While allowing the company's application, the judge however granted a stay of operation of the order for three weeks.

PEOPLE & PLACEMENTS

V. RAJAMANI has been appointed director (finance), Neyveli Lignite Corporation Ltd.

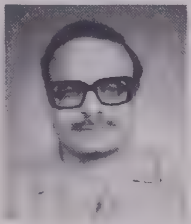
A.D'SOUZA has been appointed general manager (sales & marketing), German Remedies Ltd.

S.K. CHOWDHARY has taken over as chairman-cum-managing director, Central Coalfields Ltd.

J.D. GAJJAR has taken over as managing director, Gujarat Industrial Development Corporation.

RAJESH BHANSHALI has joined as financial controller, Bombay Oil Industries Pvt. Ltd.

B.C. MONDAL has taken over as director (engineering), Metallurgical & Engineering Consultants (India) Ltd.



J.G. DESAI has been promoted to general manager, State Bank of Patiala.

T. PANDURANGA RAO has assumed charge as chief general manager, State Bank of India (Bengal circle).

ANIL CHADHA has been promoted to assistant general manager (credit), New Bank of India, New Delhi.

SATISH V. KINI has been appointed branch manager, International Data Management Ltd., Bombay.

PHEROZA BILLIMORIA has been re-elected president, the Advertising Club, Bombay.

VIREN J. SHAH has been elected to the board of the Bombay Port Trust.

SUBIR DATTA has taken over as managing director, West Bengal Industrial Development Corporation Ltd.

S.M. DATTA has been elected president, Indian Chemical Manufacturers Association

NEW PROJECTS

■ **Vinkas General Carbon Ltd.**, Delhi, will commence the manufacture of EDP ribbons with technical-cum-financial assistance from General Co. Ltd., Japan. Finding wide application in computer printers and electronic and electric typewriters, the range of nylon, correctable, multistrike ribbons will be manufactured at the company's plant in Bhimtal (Nainital). This is the first EDP ribbons manufacturing project in the country and will commence production by June this year.

■ **Bombay Gas Co. Ltd.**, owned by the Calcutta-based Jalan group, has been permitted to distribute the natural gas produced at Bombay High. This makes Bombay Gas the first private sector company to enter the field.

The Centre has agreed to allot 1.5 million cu m of natural gas for distribution among domestic and industrial users. The Rs. 125 crore project has been cleared by the government of Maharashtra, which will also fund a part of it.

■ **Onyx Marble India**, Tamil Nadu's first synthetic marble manufacturing unit, has commenced production. Financed by TIIC and IOB, Onyx has set up its plant in collaboration with Gruber Systems, USA. Onyx products will be marketed by EID-Parry Ltd.

■ Spray-dried silica, an import substitution product, is soon going to be manufactured in India. A new company, **Insilco Ltd.**, has been promoted for the purpose by the Bhartias of Vam Organic Chemicals, in collaboration with the West German company Degussa AG. Both the partners will hold 40% of the equity each and 20% will soon be offered to the public. This Rs. 40 crore project will be located at Gajraula, Uttar Pradesh, and is scheduled to go on stream by early 1991. It is expected to save the country nearly Rs. 44 crores in foreign exchange in the first five years of production.

The 7,000 mta of spray-dried silica manufactured by the company will find application in the tyre, rubber, pesticide, paint, pharmaceutical and varnish industries, among others.

■ In order to preserve the forest wealth of India and maintain the ecological balance, **Indian Oil Corporation Ltd.** has intensified its effort to market LPG in areas where firewood is the main source of fuel. Districts in Rajasthan and hilly tracts in the north and north-east have been identified as the top priority areas at present.

■ Rs. 30 crores are being spent by TVS **Electronics Pvt. Ltd.** (TVSE) on its foray into the manufacture of computer peripherals at its facilities in Tumkur. A member of the Madras-based TVS group of companies, TVSE will reportedly be manufacturing the largest range of peripherals in the country for the micro and super micro/mini computers industry. Cartridge tape drives, dot matrix printers, monitors, keyboards, etc., will be produced under the brandname CHARGE 500. Technical assistance is being provided by the US-based Elgar Corporation.

NEW ISSUES

■ **The Gujarat Industrial Investment Corporation** (GIIC) and **Hero Cycles Pvt. Ltd.** have promoted a new Rs. 20.85 crore company in the joint sector — Gujarat Cycles Ltd. The new company will have a capacity to manufacture 1.2 million multi-range, hi-tech bicycles per annum. Located at Waghodia, near Baroda, the plant is expected to go on stream this month.

While GICC has a share of 26% in the equity base of the company, Hero Cycles owns 25%, i.e. a combined 35.35 lakh shares out of a total of 70.5 lakh shares. The public is also being offered 17.62 lakh shares of Rs. 10 each for cash at par, and the issue opens for subscription on 19th April.

HALF-YEARLY RESULTS

■ **Indian Sewing Machine Co. Ltd.**, which manufactures the Singer-Merritt brand of sewing machines, has announced improved working results in its half year ended 31st December 1987. Net sales have risen to Rs. 19.34 crores from Rs. 17.67 crores in the corresponding period last year, while gross profit has moved up from Rs. 99 lakhs to Rs. 1.21 crores and net profit has increased to Rs. 60 lakhs from Rs. 57 lakhs.

NEW COLLABORATIONS

■ **Tide Water Oil Co. Ltd.**, which is an associate company of the public sector Andrew Yule & Co. Ltd., has negotiated a technical collaboration with Cofran, France, to manufacture and market synthetic, semi-synthetic and speciality lubricants. To be sold under the brandname Tidol, these synthetic lubricants are claimed to have the following advantages over conventional mineral-based lubricants: superior thermal stability, long drain intervals, low volatility, an excellent viscosity index and low temperature fluidity.

■ **Mafatlal Consultancy Services (India) Ltd.** has tied up with DEST Corporation, USA, to market the latter's page and document scanners. DEST's PC-SCAN can be used in conjunction with the IBM PC, PC/XT, PC/AT and also Apple's Macintosh range. In addition to text, PC-SCAN can scan half-tone and line drawings and is thus useful in desk-top publishing.

■ The latest ad agency which has kept pace in the race for foreign tie-ups, is **Sobhagya Advertising Services of India Ltd.** The Japan-based NPC Advertising Co. Ltd., which boasts an impressive muster of accounts — Konica, TDK and NEC — is Sobhagya's partner. With the Japanese seeking active participation in India's industrial growth, this arrangement is expected to be mutually beneficial for the agencies.

NEW PRODUCTS

■ **The Project & Consultancy Group of Bharat Electronics Ltd.** has developed an automated guided vehicle (AGV), which has numerous industrial applications. A driverless three-wheeler which moves at the rate of 1.5 km per hour with a maximum payload of 100 kg, the AGV can travel up to a distance of 10-15 km at a stretch. Powered by two rechargeable 12V batteries which are effective for 8-10 hours, the AGV travels on a pre-determined track guided by the commands of the in-built microprocessor-based controller, and is steered inductively. It is useful for loading and unloading materials at factories.

■ **Emerald Electronics Pvt. Ltd.**, Bombay, is marketing two packages of video cassettes which teach computer usage. The first package comprises three video cassettes which offer a combined viewing time of 8 hours 30 minutes. Known as the Meltron computer training cassette, it is for beginners, and is priced at Rs. 995 plus taxes, and a work-book is also included. The second package, Learn dB-M on PC, which is for executives, offers 5 hours and 30 minutes of viewing time on two cassettes. A work-book and a pre-programmed floppy is also included in the price — Rs. 1,500 plus taxes.

Markets sunk in gloom

GUL TECKCHANDANI

Equities are down in the dumps, at least for the time being. The markets are wallowing in the depths of despondency. The sentiment has reached its nadir. Paradoxically, the good flow of corporate reports has been of no avail. Values are still in a meandering mood.

But, then, our stockbrokers have never been realistic and their optimism knows no bounds. They have always expected too much, even when such possibilities do not exist. The Union budget this year is a case in point. It was generally felt that N.D. Tiwari was the industry's mouthpiece in the cabinet and his budget would be the panacea for all the maladies of the industrial sector. However, political priorities have prevailed over economic exigencies, what with the elections only a hair's breadth away.

What nipped the recent rally in the bud? The investors who had been holding on to corporate paper (purchased at much higher prices), intended to offload it at the first opportunity. They found the post-budget rally a godsend. The relaxation of restrictions in forward trading also resulted in the bears pressing short-sales, cashing in on the fact that investor-confidence was at a low ebb.

Why has investor confidence eroded? The reason is continued depression in the equity markets coupled with the better security and tax incentives offered by public sector bonds — in short, a no-risk proposition with better returns. This has triggered off a substantial disinvestment in shares and debentures. There are indicators enough: the National Savings Scheme has reportedly been able to mop up over Rs. 5 crores in the last three weeks of March itself.

SHORT TERM STRATEGY

Selected shares will, however, continue to do well. The Union government's import-export policy for the next three years has been well received by the markets. This ought to help equity values to move up, albeit on a selective basis. The sustained institutional support will result in a shortage of floating stocks and will force the bear operators to cover their short sales. This strategy, however, is good only in the short-run and cannot be applied always as there is a limit to even institutional resources. Against this backdrop it would be prudent to pick up scrips which have been able to hold their prices and are fundamentally sound.

Larsen & Toubro Ltd. (L&T — sales: Rs. 559 crores during the year ended 30th September 1987) is currently quoted at Rs. 80 on the Bombay stock exchange (BSE). This counter qualifies as a good investment. L&T is a leader in the engineering industry and now has interests even in cement and shipping. It has multilocational manufacturing facilities. The company had suffered a set-back in 1986 but has once again bounced back on to the fast growth track. Sales during the first five months (October-February) of the current year totalled Rs. 226 crores against Rs. 191 crores in the corresponding period of the previous year. The company has successfully implemented various projects: dot matrix printers are being manufactured in collaboration with Honeywell Corporation of the US, electronic test and measuring instruments in collaboration with Gould, hydraulic mobile cranes in collaboration with PPM, France, and floppy disc drives in collaboration with Y-E Data Inc., Japan. The spinoffs from these projects will be evident in 1988-89. Moreover, the company has signed a memorandum of understanding with Zimpro Inc. of the US, which will pave the way for manufacturing pollution control equipment. The government has also allowed the company to manufacture high capacity bulk material handling equipment.

GOOD PERFORMANCE

Cement production has stabilised and the company's product has been well received in the market. The company expects the cement division to contribute Rs. 115 crores to sales in 1988 as against Rs. 73 crores in 1987. The shipping division has also performed well due to the improvement in freight rates. Thus the company is doing well on all fronts. L&T's order booking position has shot up by 85% to Rs. 411 crores during the first five months of the current year. The order backlog stands at Rs. 789 crores as against Rs. 479 crores in the corresponding period of the previous year. The company declared a dividend of 20% for 1986-87, and considering the budget reliefs given to capital goods manufacturers, it will move forward.

Alfa-Laval (India) Ltd. (sales and other income: Rs. 54 crores during the year ended 31st December 1987) is currently quoted at Rs. 50 on the BSE. The company manufactures dairy equipment; refrigeration plants; oil separators; plate heat exchangers; food, beverage and fruit processing plants; and special equipment for the chemical, pharmaceutical and other allied industries. After certain structural changes in the organisation, a new dynamic team is all set to push the company's sales to the Rs. 100 crore mark by 1990. Thus, the company is likely to achieve fresh records in profits.

Alfa-Laval is a Swedish company and it has an investor-friendly management. The company has been regularly paying dividends and the last dividend was 18% (including the additional golden jubilee dividend of 2%). The company's share capital is Rs. 5.2 crores against reserves of Rs. 15.07 crores. It had declared a bonus issue in 1986 in the ratio of 1:2 and hence the next bonus issue may be expected only in 1989 or 1990. The share had reached a bottom of Rs. 45 before the budget but it has now reached a new resistance price of Rs. 48. It may be bought for long term investment at every decline.

RANDOM ADVICE

Now for some random advice: the import of tyres under the open general licence system may affect the tyre industry adversely. **Hindustan Lever**'s scrip may decline further. ACC is also facing a tough time trying to sell its convertible bonds; disinvestment is recommended. **Bindal Agro-Chem** will surge ahead on improved working. **Transpek Industries** will show a forward movement and **Vindhya Telelinks** may also register further gains. Both **Videocon** and **Hoganas** are caught in a speculative grip; and the experience of new issues has proved beyond doubt that the prices of such shares fall steeply once the speculative fever is over.

To sum up, it is for the Union government to address itself to the basic problems of the economy and in particular the stockmarkets. It cannot always make the bogey of bear-hammering an excuse for clamping trading restrictions, since this continued meddling with the operations of the market undermines investor confidence. It ought to be realised that the financial institutions, for all their financial muscle, cannot fill the role of the individual investor in the strict sense.

BusinessWorld
April 11—24, 1988

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs.)	YEAR ENDED	SALES	EQUITY CAPITAL	COMPOUND GROWTH OVER 5 YRS (%)		EPS (Rs.)	P/E 30 MAR	P/B.V 30 MAR	PAYOUT	SHARE PRICE 30 MAR (Rs.)	MK.CAP 30 MAR (Rs. crores)	%CH.CAP OVER 17 MAR
				(Rs.crores)		IN EARNINGS	IN DIVIDENDS							
I.	**AUTO ANC & TYRES**													
1.	CEAT	10	30/06/87	316.07	9.32	36.21	17.93	13.20	5.68	2.34	0.19	**75.00**	69.90	−7.70
2.	CHLORIDE	10	31/08/87	107.50	20.66	13.29	22.23	4.46	15.47	4.46	0.70	**69.00**	142.55	0.00
3.	MICO	100	31/12/86	157.58	38.05	22.06	7.94	32.54	15.29	2.54	0.31	**497.50**	189.30	−3.40
4.	MODI RUBBER	10	30/04/87	358.60	10.38	4.77	5.84	6.06	8.25	0.94	0.41	**50.00**	51.90	−3.85
II.	**BASIC CHEMICALS**													
5.	NOCIL	100	31/12/87	288.10	36.00	49.84	16.14	48.22	9.02	1.71	0.41	**435.00**	156.60	2.96
6.	TATA CHEM	10	31/03/87	193.56	27.19	18.25	20.43	8.31	7.34	1.28	0.30	**61.00**	165.86	−2.40
III.	**BASIC METALS**													
7.	HINDALCO	10	31/12/86	248.26	17.81	0.21	9.97	2.16	36.57	2.28	0.72	**79.00**	140.69	−14.23
8.	INDIA FOILS	10	30/06/87	104.90	4.38	26.03	18.83	7.19	7.37	1.29	0.29	**53.00**	23.21	0.00
9.	MUKAND IRON	10	30/06/87	266.30	9.82	13.80	7.04	8.14	9.89	5.23	0.22	**80.50**	79.05	0.00
10.	TISCO	100	31/03/87	1416.39	115.30	9.34	7.59	75.91	8.51	1.54	0.24	**646.25**	745.13	0.00
IV.	**CEMENT**													
11.	ANDHRA CEMENT	10	31/03/87	53.94	9.51	−13.80	38.04	0.73	11.99	0.40	1.38	**8.75**	8.32	−2.80
12.	ACC	100	31/07/87	760.92	39.88	−57.92	−6.50	0.85	158.82	0.37	11.74	**135.00**	53.84	−6.25
V.	**CHEM. INTERMEDIATES**													
13.	BASF	10	31/12/87	59.30	2.84	10.15	15.88	7.25	12.83	1.89	0.28	**93.00**	26.41	−13.49
14.	COLOUR CHEM	100	31/03/87	66.95	7.94	17.24	3.08	42.44	7.54	1.35	0.42	**320.00**	25.41	0.00
15.	DEEPAK NITRITE	10	31/10/87	23.60	2.43	10.30	5.05	3.99	7.14	1.08	0.36	**28.50**	6.93	−1.70
VI.	**COMM VEHICLES**													
16.	BAJAJ TEMPO	10	31/09/87	152.91	6.58	−25.31	4.06	2.64	26.99	0.97	0.47	**71.25**	46.88	−1.06
17.	MAH & MAH	10	31/10/87	599.28	19.26	1.11	9.40	5.76	8.94	1.11	0.38	**51.50**	99.19	−3.74
18.	TELCO	100	31/03/87	1196.89	53.18	−38.98	−6.45	5.51	77.81	1.08	1.88	**428.75**	228.01	9.24
VII.	**CONS DURABLES**													
19.	ASIAN PAINTS	10	31/12/86	127.22	12.45	39.77	26.33	9.25	15.14	4.78	0.26	**140.00**	174.30	−5.09
20.	PEICO	10	31/12/86	325.25	33.32	−38.12	−15.20	0.14	192.86	1.39	5.60	**27.00**	89.96	1.88
21.	VIP INDUSTRIES	10	31/07/87	68.40	5.99	−1.39	N.A.	1.43	9.62	0.74	0.84	**13.75**	8.24	−5.18
VIII.	**COTTON TEXTILES**													
22.	CENTURY SPG	100	31/12/87	390.80	26.62	4.55	12.57	56.50	14.25	1.40	0.42	**805.00**	214.29	2.55
23.	MADURA COATS	10	30/06/87	200.36	21.81	7.88	14.48	5.14	14.20	2.86	0.49	**73.00**	159.21	2.82
24.	RAYMONDS	10	31/03/87	225.19	22.48	37.75	22.02	5.89	7.47	1.52	0.21	**44.00**	98.91	−6.39
IX.	**DOMES.CONS.PROD.**													
25.	COLGATE	10	31/12/86	163.52	15.72	23.25	11.34	6.49	26.35	8.97	0.40	**171.00**	268.81	−6.30
26.	HINDUSTAN LEVER	10	31/12/86	715.19	93.32	11.97	16.82	4.19	14.92	2.75	0.41	**62.50**	583.25	−6.72
27.	ITC	10	30/06/87	1051.80	33.17	15.26	12.36	5.26	6.37	1.41	0.57	**33.50**	111.12	−5.63
28.	McDOWELL	10	30/06/87	145.20	6.40	−2.72	41.58	10.91	7.79	1.38	0.14	**85.00**	54.40	6.25
29.	RECK & COLMAN	10	03/01/87	49.37	4.20	23.64	11.84	9.90	19.70	6.75	0.25	**195.00**	81.90	−6.02
X.	**ELEC. ENGG**													
30.	BEST & CROMP	10	31/12/86	123.55	4.73	−22.28	2.38	1.92	18.49	0.72	0.79	**35.50**	16.79	1.39
31.	FINOLEX CAB	10	30/11/86	38.40	1.80	31.45	26.30	17.44	17.99	6.13	0.14	**313.75**	56.48	−4.34
32.	GENELEC	10	30/06/87	74.19	2.16	16.60	12.41	6.76	7.40	1.51	0.37	**50.00**	10.80	−7.38
33.	OTIS	10	30/11/87	54.28	5.04	18.55	15.36	7.58	26.39	6.88	0.33	**200.00**	100.80	6.67
34.	SIEMENS	10	30/09/87	198.40	20.94	−1.55	2.63	2.48	23.39	1.44	0.42	**58.00**	121.45	−9.38
XI.	**EQUIP. MANUF**													
35.	INGERSOLL	10	31/12/86	65.86	7.89	24.22	14.75	9.71	24.72	8.26	0.26	**240.00**	189.36	−10.28
36.	KIRLOS CUMM	10	30/09/87	146.96	26.40	4.23	23.13	3.81	13.65	2.16	0.53	**52.00**	137.28	−5.45
37.	MATHER & PLATT	10	30/06/87	42.04	6.40	21.14	14.23	6.13	13.87	3.72	0.33	**85.00**	54.40	−12.82
XII.	**FERTILIZER**													
38.	GSFC	10	31/12/87	357.40	26.94	23.47	15.88	13.07	6.39	1.14	0.23	**83.50**	224.92	−19.32
39.	SPIC	10	31/12/86	421.02	34.42	−28.70	N.A.	1.42	18.31	0.88	1.08	**26.00**	89.49	8.33
XIII.	**FOOD PROD**													
40.	BRITANNIA	10	30/11/87	192.10	12.38	23.92	16.60	6.37	13.03	3.08	0.38	**83.00**	102.75	−5.15
41.	BROOKE BOND	10	30/06/87	399.50	24.73	18.02	13.94	6.08	13.57	4.28	0.49	**82.50**	204.02	−0.60
42.	HIND COCOA	10	30/06/87	73.42	8.40	26.56	18.22	5.31	14.36	4 11	0.28	**76.25**	64.05	−7.58

Bears still in command

Stock exchanges continued to display a sluggish trend during the fortnight ended 1st April. The crisis deepened further on continuous selling. Institutional support, as also the flow of encouraging corporate news, failed to revive investor confidence. The alarming law and order situation in Punjab and severe droughts in Gujarat and Rajasthan adversely affected market sentiment. The primary market was down in the dumps too.

Reflecting the downtrend in equities, *The Economic Times* index of ordinary shares (1984-85 = 100) moved down from 227.2 on 21st March to 224.9 on 1st April. Likewise, the *Financial Express* equity index fell from 299.02 to 296.46 during the same period. The *BusinessWorld* index was down from 108.45 to 103.99.

The main feature of the trading during the fortnight under review was the sharp fall in the quotation of Bombay Dyeing's scrip which slumped from Rs. 132 to Rs. 120 (9.09%) on bull liquidation coupled with bear hammering. It is reported that profitability will be affected because the government has turned down the company's request to raise the price of DMT. Century Enka's scrip also plummeted from Rs. 1,540 to Rs. 1,440 following the announcement of a bonus issue in the ratio of 2:5. The market expectation was 1:1.

Cotton textiles shares were distinctly

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs.)	YEAR ENDED	SALES (Rs.crores)	EQUITY CAPITAL (Rs.crores)	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	COMPOUND GROWTH OVER 5 YRS (%) IN DIVIDENDS	EPS (Rs.)	P/E 30 MAR	P/B V 30 MAR	PAYOUT	SHARE PRICE 30 MAR (Rs.)	MK CAP 30 MAR (Rs crores)	%CH CAP OVER 17 MAR
XIV.	**HEAVY ENGG/PROJ**													
43.	ELECON ENGG	10	31/12/86	86.20	5.65	14.07	14.87	7.45	6.58	0.90	0.19	**49.00**	27.68	0.00
44.	GAMMON	10	30/07/87	112.00	2.16	52.05	5.35	19.53	1.48	0.42	0.13	**29.00**	6.26	17.20
45.	HIND DORR	10	30/11/86	46.67	2.38	32.30	15.72	16.18	8.96	3.37	0.22	**145.00**	34.51	−3.33
46.	ALFA LAVAL	10	30/11/87	51.00	5.21	15.13	15.63	5.37	9.50	1.31	0.34	**51.00**	26.57	0.00
XV.	**LIGHT ENGG**													
47.	SKF BEARING	100	31/12/87	83.86	12.35	15.64	7.60	87.77	13.67	3.46	0.25	**1200.00**	148.20	−3.23
48.	BHARAT FORGE	10	30/09/87	120.10	5.71	33.86	6.63	11.51	10.17	2.06	0.22	**117.00**	66.81	−6.40
49.	IND OXYGEN	10	30/09/87	131.00	14.60	−9.51	1.03	2.16	13.89	1.41	0.74	**30.00**	43.80	1.69
50.	SANDVIK ASIA	100	31/12/87	38.93	5.78	−5.93	9.37	23.53	26.77	2.73	0.85	**630.00**	36.41	−6.69
XVI.	**MULTI PROD**													
51.	IEL	10	30/09/87	478.41	40.87	−17.55	−3.37	1.24	25.81	1.13	1.06	**32.00**	130.78	−5.89
52.	LARSEN & TOUBRO	10	30/09/87	573.10	56.37	7.47	15.43	4.90	16.53	2.08	0.41	**81.00**	456.60	−4.14
53.	RALLIS	10	31/05/87	225.41	5.64	25.69	11.40	10.30	6.80	0.15	0.29	**70.00**	39.48	9.79
54.	VOLTAS	100	31/08/87	363.71	12.78	11.18	6.88	53.60	4.38	0.81	0.30	**235.00**	30.03	−3.10
XVII.	**PASS. VEHICLES**													
55.	BAJAJ AUTO	10	30/06/87	607.74	18.82	70.08	37.08	34.30	5.72	1.82	0.12	**196.25**	369.34	−7.10
56.	KINETIC ENGG	10	30/06/87	91.25	1.20	15.57	19.22	20.25	8.89	1.34	0.15	**180.00**	21.60	−4.64
57.	HIND MOTORS	10	31/03/87	373.01	26.41	−19.96	−2.22	1.17	14.74	0.57	0.85	**17.25**	45.56	−4.16
XVIII.	**PEST & AGROCHEM**													
58.	BAYER	100	31/12/86	102.93	16.22	17.39	9.32	32.98	9.40	1.97	0.38	**310.00**	50.28	0.00
59.	SEARLE	10	31/12/87	35.00	3.48	35.23	20.34	8.02	11.97	1.80	0.25	**96.00**	33.41	−4.95
XIX.	**PHARMA**													
60.	GLINDIA	10	30/06/87	200.97	20.00	9.38	7.36	3.70	17.57	2.73	0.49	**65.00**	130.00	−0.76
61.	HIND CIBA	100	31/12/87	176.80	17.71	6.26	13.26	38.17	10.35	1.41	0.52	**395.00**	69.95	12.84
62.	HOECHST	100	31/12/86	160.54	9.58	13.27	9.31	54.70	8.23	1.09	0.37	**450.00**	43.11	−8.16
XX.	**PLANTATIONS**													
63.	ASSAM CO	10	30/06/87	44.15	7.00	45.90	55.03	6.46	16.45	3.19	0.62	**106.25**	74.38	0.24
64.	McLEOD RUSSEL	10	30/06/87	43.45	6.25	35.83	39.23	8.06	11.79	2.54	0.56	**95.00**	59.38	−4.99
65.	TATA TEA	10	31/12/87	151.10	12.20	24.81	N.A.	9.04	12.89	2.12	0.50	**116.50**	142.13	−3.72
XXI.	**PLASTICS & PAPER**													
66.	BALLARPUR	10	30/06/87	362.66	13.98	−4.74	0.29	3.37	10.09	0.60	0.70	**34.00**	47.53	−2.86
67.	BHADRACHALAM	10	30/09/87	48.85	10.57	−4.64	7.84	4.16	6.13	1.06	2.00	**25.50**	26.95	−8.11
68.	GARWARE POLY	10	30/06/87	76.78	5.81	16.35	21.89	7.57	10.11	2.14	0.29	**76.50**	44.45	1.32
69.	SUPREME IND	100	30/06/87	57.26	1.80	22.32	18.88	101.67	15.74	2.56	0.18	**1600.00**	28.80	−15.79
XXII.	**POWER GENERATION**													
70.	CAL ELEC SUPP	10	31/03/87	321.09	8.45	15.53	5.76	11.22	1.15	0.15	0.21	**12.95**	10.94	1.11
71.	TATA POWER	100	31/03/87	330.90	20.00	35.06	11.11	148.20	1.28	0.41	0.11	**190.00**	38.00	−0.65
XXIII.	**SERVICE IND**													
72.	EAST IND HOTELS	10	31/03/87	65.93	17.34	11.41	3.52	5.64	8.07	1.96	0.35	**45.50**	78.90	8.33
73.	HDFC	100	30/06/87	76.86	19.79	31.44	16.51	46.74	3.02	0.65	0.20	**141.00**	27.90	−0.71
74.	20TH CENT FIN	10	30/10/86	17.70	6.34	53.14	54.38	5.98	3.01	0.66	0.30	**18.00**	11.41	−2.73
75.	TATA UNISYS	10	31/12/86	19.90	4.38	6.80	23.22	4.89	16.10	4.65	0.58	**78.75**	34.49	−10.02
XXIV.	**SHIPPING**													
76.	ESSAR SHIP	10	31/12/87	60.50	33.42	8.46	25.04	2.33	7.73	0.84	0.86	**18.00**	60.16	0.00
77.	GR EASTERN	10	30/06/87	102.50	31.94	6.72	19.13	2.12	12.57	1.38	0.98	**26.65**	85.12	9.45
XXV.	**SYNTHETIC TEXTILE**													
78.	CENTURY ENKA	100	31/12/87	280.20	11.87	16.76	13.59	118.03	12.71	2.18	0.32	**1500.00**	178.05	−2.60
79.	GRASIM	10	31/03/87	531.00	21.59	2.68	4.51	4.00	21.50	1.51	0.60	**86.00**	185.67	−3.37
80.	RELIANCE	10	31/12/86	989.90	158.26	−13.44	21.35	0.90	84.44	2.92	0.97	**76.00**	1202.78	−11.63
	TOTAL			19659.84	1562.14								9623.58	

BUSINESSWORLD INDEX (30th MARCH) = 103.99 17th MAR = 108.45 (BASE 29TH JUNE 1987 = 100)

EPS = EARNINGS PER SHARE P/E : PRICE EARNINGS RATIO P/B.V. : MARKET PRICE TO BOOK VALUE %CH.CAP: PERCENTAGE CHANGE IN MARKET CAPITALISATION

depressed on nervous bull liquidation. The bearish trend was attributed to the poor working of the textile mills of the Lalbhai group of Ahmedabad.

Basic metals equities showed a downtrend in the absence of fresh speculative support coupled with bear hammering. As a result the *ET* index for these scrips declined by 4.39% to 250.3.

Transport vehicles shares continued to move down, with the *ET* index for these scrips sliding from 169.5 to 168.8.

Pharmaceuticals shares showed a bearish trend following the discouraging results shown by many companies recently. And the *ET* index for these scrips tumbled by 4.70% to 228.9. The prices of fertilisers and chemicals shares remained unchanged.

Engineering goods shares, however, showed a marginal improvement on investment buying. As a result, the *ET* index for these scrips moved up from 264.6 to 267.4 during the fortnight. Cement shares remained unchanged in the absence of fresh inquiries.

"Equities on the stock exchanges are likely to improve because many companies have shown encouraging results. Besides, institutional buying has created a shortage of floating stocks in the market. Gujarat Fertilisers, Food Specialities, Tata Steel, etc., will make sizeable gains on account of strong fundamentals," opines Narendra Dalal, the reputed stockbroker for financial institutions.

S. Dhruv

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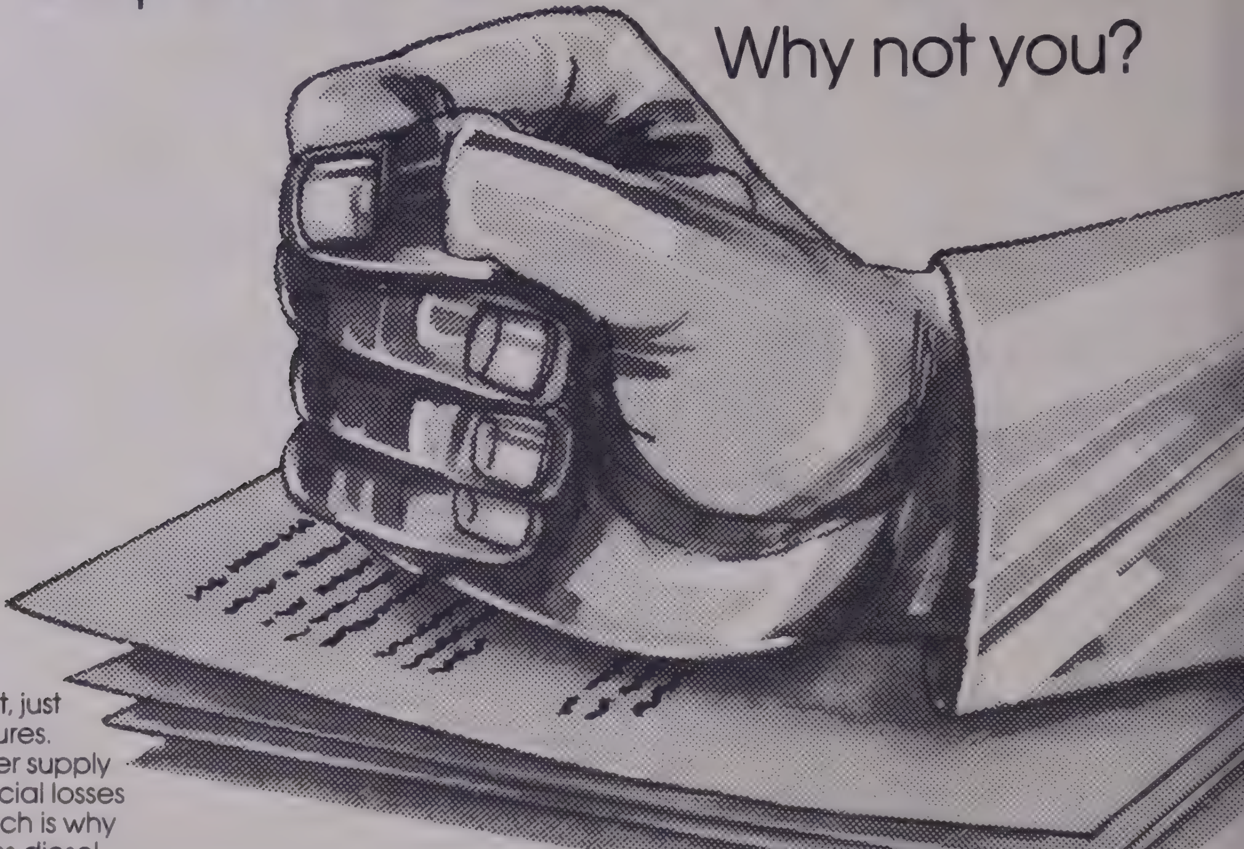

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n fact, more and more users like you are switching over to Ruston for ts overall performance when it comes to ensuring permanent power.

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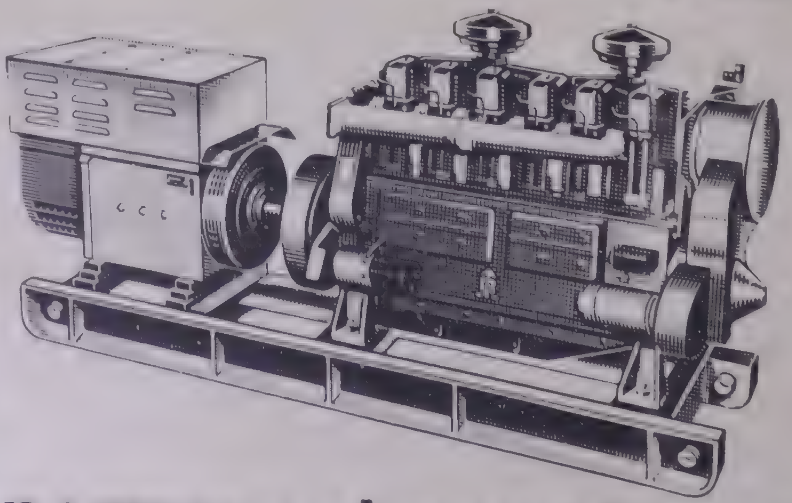

RUSTON – Your permanent powerhouse

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Indian commodity prices

Commodity	Variety/Centre	1987 High	1987 Low	Prices as on March 17, 1988	Prices as on April 1, 1988
Foodgrains (per quintal)					
Wheat	Desi-Delhi	325.00	262.50	305.00	310.00
Rice	Sela-Hapur	380.00	295.00	355.00	377.50
Gram	Desi-Bombay	530.00	340.00	500.00	505.00
Sugar (per quintal)	C-30, Bombay	677.00	572.00	630.00	674.00
Edible oils (per tonne)					
Groundnut	Wholesale-Bombay	27,664.00	20,228.00	23,400.00	23,348.00
Mustard	K. Ghani-Delhi	457.00	268.00	332.50	320.00
Coconut	Cochin	34,500.00	26,450.00	33,700.00	31,250.00
Steel (per tonne)					
Rounds	6mm-Bombay	6,200.00	5,450.00	6,700.00	6,800.00
Angles	75×75×6mm	6,200.00	5,900.00	6,000.00	6,000.00
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay	8,100.00	4,985.00	7,400.00	7,375.00
Lead	Bombay	2,110.00	1,490.00	2,225.00	2,275.00
Ferrous scrap (per tonne)					
Heavy melting	No. 1. Bombay	2,850.00	2,000.00	2,950.00	2,925.00
Chemicals (per 50 kg)					
Soda Ash	Tata	197.00	180.00	195.00	195.00
Caustic	Flakes	405.00	345.00	425.00	430.00
Cement (per bag of 50 kg)					
Controlled		42.50	42.50	42.50	42.50
Open market		73.00	62.00	63.00	63.00

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on March 17, 1988	Prices as on April 1, 1988
Gold	London	$/ounce	447.15	458.00
	Zurich	$/ounce	447.00	457.90
	Hong Kong	$/ounce	446.00	457.80
Silver	New York	Cents/ounce	632.70	671.70
Copper (w. bar)	London	£/tonne	1,215.00–1,225.00	1,325.00–1,330.00
Soyabean oil	Chicago	Cents/pound	18.15	18.00
Palm oil	Malaysia	$/tonne	450.00	450.00
Castor oil	Rotterdam	$/tonne	955.00	960.00
Black pepper	Singapore	$/quintal	910.00	907.50
Rubber	Malaysia	$/tonne	279.00–280.00	288.00–290.00

Spices crash

he prices of four spices — cinnamon, loves, nutmeg and mace — crashed af- er their imports were decanalised. The hadow of the transport strike (which was ventually averted) loomed over the rice movements of commodities such as ugar and edible oils during the fortnight nded 1st April.

pices. Following their import decana- sation under the new exim policy, the rices of cinnamon crashed from around s. 150 per kg to Rs. 95 in Bombay, and om Rs. 140 per kg to Rs. 80 in Delhi. loves, which were in demand for Rs. 95-210 per kg before the policy was nnounced, tumbled to Rs. 145 and Rs. 160 per kg in Bombay and Delhi respectively. Nutmeg prices nosedived from around Rs. 340-360 per kg to Rs. 180-200, while mace dropped from Rs. 550-600 per kg to Rs. 400. This trend is likely to continue as international prices are much lower.

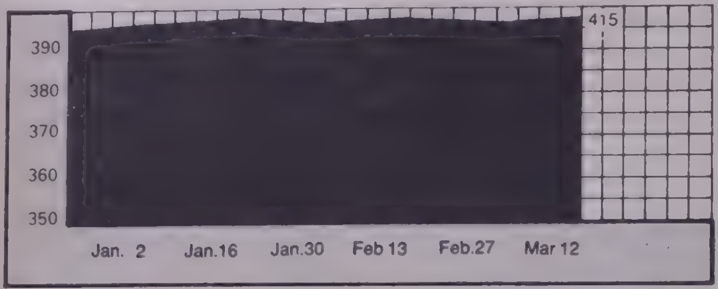
Edible oils. The prices of edible oils rose by over Rs. 2,000 per tonne after a buying rush prompted by the proposed transport strike. Groundnut oil prices moved up to Rs. 23,300 per tonne amid fears that the strike would choke off supplies. However, since the strike was averted, the price rise halted.

Sweetening agents. Sugar prices, too, shot up by over Rs. 50 per quintal in anticipation of a strike-spurred shortage. But the fact that the strike failed to materialise, halted the upswing. *Gur* prices ruled steady to better.

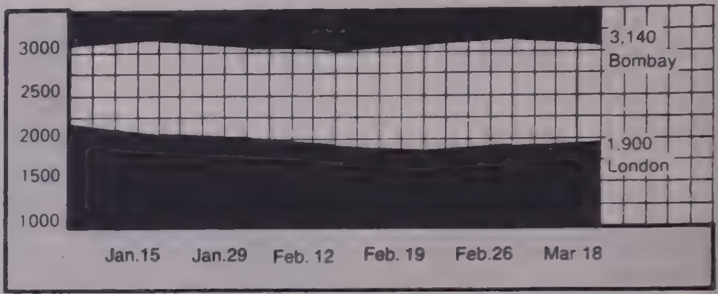
Fibres, yarn. While cotton prices ruled steady, those of synthetic yarns such as nylon and polyester ruled easy in the absence of noticeable buying support. There was some confusion about the actual duty-cut benefit to be passed on to the consumers. Viscose staple yarn prices, however, remained firm due to the reported formation of a cartel by the spinners.

The steel, non-ferrous metals, cement, dyes and chemicals and *kirana* markets ruled steady in restricted activity.

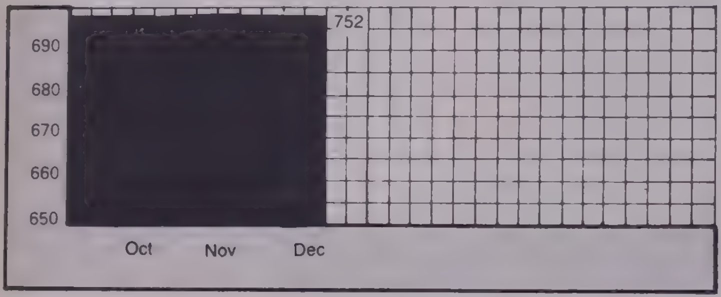
Wholesale Price Index (1970-71=100) 1988



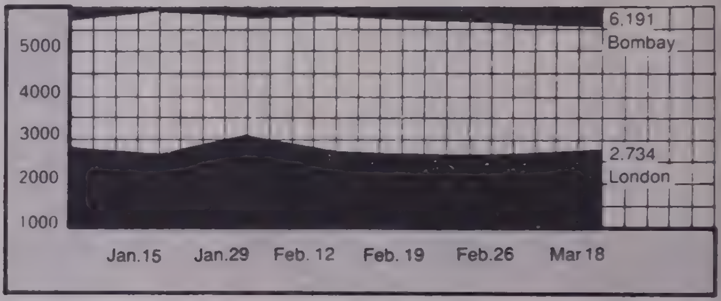
Gold (Rs. per 10 gm)



Consumer Price Index for Industrial Workers (1960-61=100) 1987



Silver (Rs. per kg)



London Interbank Offered Rates (LIBOR) ruling on 25th March 1988

	One month	Three months	Six months	One year
Sterling Pound	8.69	8.75	9.00	9.31
US Dollar	6.81	6.94	7.13	7.56
West German Mark	3.44	3.44	3.56	3.69
Japanese Yen	4.63	4.34	4.34	4.38

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1987 March 13	1988 March 11
Bank rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)*	6.50	6.50
Call money rate (Bombay)**	10.00	10.00
Exim Bank (suppliers' credit)	8.50	8.50

** For minor irrigation, land development and under diversified purposes for small farmers; other 8%*

*** Weighted average of rates reported by selected banks*

*Money Supply (M3)	Rs. crores	% change over	
February 26, 1988	1,60,285	Fortnight	– 0.3
February 12, 1988	1,60,777	Year	+ 15.8
February 27, 1987	1,38,463	Two years	+ 37.0

**Aggregate Deposit	(Rs. crores)	% change over	
February 26, 1988	1,20,430	Fortnight	– 0.1
February 12, 1988	1,20,521	Year	+ 15.4
February 27, 1987	1,04,394	Two years	+ 37.8

***Foreign Exchange Reserves	(Rs. crores)	% change over	
February 26, 1988	3,936	Fortnight	– 3.6
February 12, 1988	4,084	Year	– 21.8
February 27, 1987	5,034	Two years	– 17.9

Bank Credit	Rs. crores	% change over	
February 26, 1988	1,01,302	Fortnight	– 0.6
February 12, 1988	1,01,933	Year	+ 10.7
February 27, 1987	91,537	Two years	+ 28.0

Foreign Exchange Rates (Spot) 1988

	1988 March 18	1987 March 20
One P. Sterling	23.91	20.61
One US Dollar	13.02	12.87
One D. Mark	7.70	7.04
One hundred J. Yen	10.00	9.00

CSO Index of Industrial Production (1980-81) 1987

1987			
January	173.0	June	160.3
February	169.2	July	160.7
March	186.9	August	162.5
April	156.7	September	168.1
May	150.0	October	171.6
		November	167.8

*Notes: * Comprises currency with the public plus deposit money of the public plus time deposit with banks*

*** Demand deposit plus time deposits with all scheduled banks.*

**** Including SDRs, excludes gold coins.*

Shake-out at DOE

The doings at the department of electronics (DOE) make for a strange tale: full of sound and fury, and as ever signifying nothing but a struggle for power. Ever since K.P.P. Nambiar, then chairman of the Bangalore-based ITI Ltd., was roped in as the electronics secretary, uneasy tremors have surfaced. Last month, matters reached a head as news of the National Informatics Centre (NIC) being hived off from the DOE trickled into the press via an official notification which was meant to be confidential. With the NIC went its redesignated head, the controversial Dr. N. Seshagiri, who has clearly fallen from grace.

Nambiar:consolidating his empire

At one level, this was perhaps inevitable. Right from the moment Nambiar had stepped into the DOE, it was widely feared that his arch foe would be Seshagiri who had been passed over for the top spot. The real problem was that under the reign of R. Vijaykar, much of the real power behind the throne had turned out to be Seshagiri. Nor was it likely that the man who was widely regarded by the industry as the computer czar, was going to trim his sails to Nambiar's gale force winds. Something was bound to give.

For long months, as it turned out, it was open war. In the case of at least two key areas — computers and software — Seshagiri continued to rule the roast. Indeed, it was he who announced the new software policy within days of Nambiar taking over, apparently without even consulting him. Similarly, it is believed that on numerous occasions, Seshagiri, who continued as the chairman of the vital inter-ministerial standing committee (IMSC) dealing with computers and software projects, did not even choose to keep Nambiar informed about the decisions taken. Of course, as far as the NIC was concerned, there was no way that Nambiar could even hope to be involved in the execution of this mammoth project. Funnily enough, it was at this stage that Seshagiri ran foul of none other than the prime minister's blue-eyed technology kid, Sam Pitroda. Although it is far from clear what the exact reasons were, one observer sums it up best: "Pitroda and Seshagiri got along like He Man and Skeletor do." And it cannot be denied that Pitroda is the one who had all the power. The upshot was that Pitroda, who had also taken Nambiar under his wing by that time, began lobbying for the transfer of the NIC from the DOE, either to the Planning Commission or to an independent centre distanced from the government.

While Nambiar was initially opposed to the move, it did not take him long to realise that this was in his own interest. At the same time, he too began to flex his muscles shrugging off an initial impulse to quit the DOE. He began to ask for all the files pertaining to decisions taken at the IMSC, started asking Seshagiri for explanations relating to various reports appearing in the press which did not reflect his thinking (or official thinking either) on various issues and finally issued a notification to the finance ministry that no release of funds for the NIC ought to be made without the permission of the DOE. Since Seshagiri was using his office to get what he thought was needed for the NIC, the above reference was clearly to Nambiar himself. It is believed that matters reached a stage when Seshagiri was even reported to have said that he had seen three secretaries go and he would see the fourth one off too.

Instead, the Pitroda-Nambiar team has triumphed. Nor is this the end of the story. For it is suspected that an official enquiry has been ordered into various aspects of the conduct of Seshagiri in his previous post. Among the charges being looked into: that he placed orders for equipment for NIC without the necessary financial clearances; that despite Nambiar's explicit instructions, he hired and promoted people at the NIC and so on. Nambiar has also been quick to revamp the DOE, putting his own trusted people in key positions and doing away with the old order. Among the major gainers has been Dr. N.W. Nerurkar who had emerged as a key figure in the new dispensation.

Analysts are still unable to shake off the feeling that further changes are likely in future at the DOE. Going by the statements of P.S. Deodhar, it would come as no surprise if he chose to put in his papers as the chairman of the electronics commission. It is also possible that there is one bureaucrat — Ashok Parthasarthy — who is waiting in the wings for a triumphant return to the DOE. According to insiders, it is not well known that it was Seshagiri who was supposedly responsible for the former's exit from DOE. Cleared of all the charges against him, as in the Hemlock deal controversy, Parthasarthy seems all set to stage a comeback.

Seshagiri:fallen from grace

Looming larger than all this is the idea making the rounds in the government to create a new ministry called the ministry for informatics. Presumably, this would incorporate both computers and communications which are in any case fast getting integrated. At the DOT too, D.K. Sangal is slated to retire in the near future. Above all, it would require a giant of a man to head this mega ministry — for which presumably one must read Sam Pitroda. The fun and games notwithstanding, the industry is certainly getting the jitters from this overdose of politicking.

Copying success

If you can't beat them, join them. Everyone is talking about the recent boom in facsimile transmission services, commonly known as Fax. A number of private sector operators have set up such transmission and reception centres which use an experimental network set up by the department of telecommunications (DOT). And they are making a killing in the process.

But no one seems to have thought about asking if these Fax centres are legal. According to experts in the government, the answer is a flat "No" — they are illegal. The licences for Fax were issued under the conditions of the existing Postal Act. This implies that such Fax services could be used strictly for inhouse purposes only. Thus, Fax licencees could not go public, as they already have.

Does it mean that this profitable line of business is doomed to be shut down? The answer is no. While the department of posts says that the onus to regulate Fax services lies with the licensing authority (that is, the DOT), the latter is keeping quiet. Why? Because, according to their line of thinking, as it is the postal services which are affected, it is the department of posts which should kick up a row. Thank god the two were bifurcated.

But the department of posts has one ace up its sleeve. As it countered courier services by setting up speed post services, an official nationwide Fax network is on the anvil. This network will make use of the National Informatics Centre (NIC) network of computers, and is the suggestion of none other than NIC director general N. Seshagiri himself. Using Toshiba-made Fax machines which will interface with the NEC systems of Nicnet, Fax services will be offered to customers from post offices itself and data will also be delivered to the receiver's door. The more the merrier.

Blowing in the wind

The flip-flops of coal minister Vasant Sathe are truly amazing. A few months ago, he was persuaded by the then coal secretary A.N. Varma to send up a cabinet note recommending the abolition of Coal India Ltd. (CIL) and the dethroning of its chairman G.L. Tandon, who would be made an officer on special duty in the ministry. The reason: CIL had failed to deliver and deserved to be wound up since it was unlikely to be ever able to do so.

But before the note could be actually discussed by the Union cabinet, Varma was transferred to the commerce ministry and S. Varadan stepped in as coal secretary. Sathe, who does not seem to have a mind of his own, was readily persuaded by Varadan that the abolition of CIL would be a wrong step and that Tandon was doing a fine job. Accordingly, Sathe withdrew his earlier cabinet note and sent in a fresh one instead, arguing that CIL must be "strengthened" and that Tandon ought to be given a three-year extension.

Humiliatingly for Sathe (and for Padma Bhushan awardee Tandon) the extension was clipped from three years to one.

AI's real boss

The stars of Air-India's youthful managing director Rajan Jetley (39) seem to be steeply in the ascendant ever since the ignominious exit of Jagdish Tytler from the civil aviation ministry in the last cabinet reshuffle. And paradoxically, Jetley's rise seems to be coincident with an apparent sidelining of Air-India's chairman Ratan Tata.

In a significant decision (which has incidentally missed the attention of the daily media) taken recently at the highest levels in government, it has been ordained that the memorandum of understanding between Air-India and the Union government will be signed on the former's behalf by Jetley rather than Tata.

Jetley:the sky's the limit

The official justification is that Tata is only a non-executive chairman. Although nominally Jetley is subordinate to Tata, it is now crystal clear as to who is the real boss.

NTC passes the buck

Shortly before Ajit Singh, IAS, relinquished charge of National Textiles Corporation (NTC) to join Swadeshi Polytex last month, he effectively scotched any chances of a memorandum of understanding (MOU) being signed shortly between NTC and the Union government. When the draft MOU was being negotiated in its final stages, Singh argued that the chief executive of NTC could not be expected to bind himself to achieving specific targets within defined time-frames when over a dozen chairmanships and wholetime directorships of its numerous regional subsidiaries were vacant.

The onus to ensure that these posts are expeditiously filled is clearly on the Central government's Public Enterprises Selection Board (PESB). Right now, with the buck having been passed on to the PESB, both the textiles ministry and NTC can conveniently relegate the pending MOU to the back burner. Ironically, with Singh's sudden transfer, the parent company itself — NTC — is also topless at the moment.

Bicycle power

TI Diamond Chains Ltd., a subsidiary of the Madras-based Tube Investments of India Ltd. (TI), is in the process of developing a prototype of a 34cc motor engine to be attached to a bicycle. Reportedly based on a West German design, the cycle will require special back wheels. The cost of the cycle plus engine is expected to be around Rs. 1,500-1,600. It will have a fuel efficiency of 100 km per litre and is expected to sell well in rural areas.

The TI foray is being coordinated by A. Hydari, general manager of TI Diamond Chains, under the overall supervision of S. Nagarajan, special director of Tube Products of India.

Another Madras-based company, Enfield India Ltd., which proposed to introduce a 22cc motorised two-wheeler based on an Italian design in March-April 1988, is naturally observing these developments with keen interest. The estimated 40 million cycle market is currently expanding at the rate of five to six million every year. Enfield estimates that even if it gets to sell a mere 2 lakhs of its Mofa brand two-wheeler, it would garner a turnover of Rs. 50 crores, assuming a realisation of about Rs. 2,500 per vehicle. Obviously, this is not a figure to be sneezed at.

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BusinessWorld

- THE TAMING OF BENGAL'S LABOUR
- ESCORTS WEIGHS TAKEOVER OPTIONS
- INSTANT FOODS: NOT SO INSTANT SUCCESS

Crompton Greaves' president and managing director K.K. Nohria

CROMPTON GREAVES

THE GROWTH HORIZON

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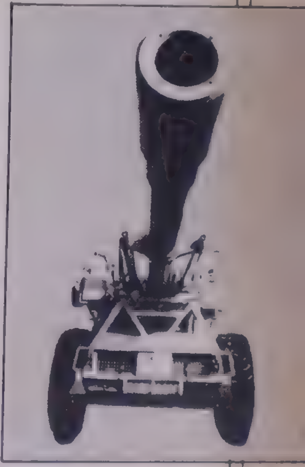
THE DAMP SQUIB

The joint parliamentary committee (JPC) set up to investigate the Bofors kickbacks scandal has lived up to the low expectations built around it. It has come up with a dud. But the truth will out. Even as the JPC was distributing clean chits all around, fresh allegations surfaced, both in the Indian and Swedish media, making a mockery of the committee's efforts. The JPC says there were no middlemen; the Bofors contract was won purely on merit; and any money paid was only in the form of "termination fees." But Rs. 64 crores have changed hands—a bribe by any other name is just as objectionable. And if the middlemen have not been traced, it is only because very little effort was made to track them.

There was an easy way out. The government had only to threaten to cancel the Rs. 1,700 crore contract and the Bofors bosses would have been falling over one another to reveal all. The fact that this step was not taken shows that the determination was lacking. The 404-page JPC report reeks of efforts to wish the issue away. The 44 sessions, more than 200 hours of questioning key witnesses and junkets all over the country and abroad have produced, in sum, a big zero.

The note of dissent attached to the report is an interesting commentary on not just the Bofors scandal but the murky politics of the country. The dissenter — an MP belonging to the Janaki faction of the AIADMK — was keeping very quiet about things until the changing equations after MGR's death found him in the opposition camp. Now he has set himself up on a pedestal and is waxing eloquent about the JPC farce.



But this does not detract from the fact that a farce it has been. Instead of concentrating on the key issue — the kickbacks and who got them — the JPC spent most of its time attending field trials of the Bofors howitzer. The first 20 sessions of the JPC were spent (more correctly misspent) on discussing the technical aspects of the gun. Along with the other parties involved, the gun too was given a clean chit. Later, JPC chairman B. Shankaranand carefully orchestrated the questioning of witnesses, steering clear of any contentious issues.

The mere presence of additional opposition party members on the committee would not have been of much use either. The dissenting note has been dismissed by the JPC as "most unfortunate, unfair, baseless and biased." A more representative JPC would probably have raised the decibel level but, given the Congress (I) clout, the final report may still have turned out to be the bumf it is.

In the ultimate analysis it is Rajiv Gandhi's credibility which is at stake. His defence has been to state that the guilty will be punished. But since the guilty have not even been identified, such pronouncements are a shade hypocritical. The issue won't go away and too much of cover-up can bring the edifice crashing down under its own weight. Bofors, like its parent company Nobel Industries, is dynamite. And the fuse is lit.

BusinessWorld

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CEI's new firebrand president, Brijmohan Lall, has decided to stop asking the government for more concessions.

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After being laid low by a disastrous fire last January, the Kota plant of JK Synthetics is back in action in record time.

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Efficiency Plus has not one advantage over other EPABXs...

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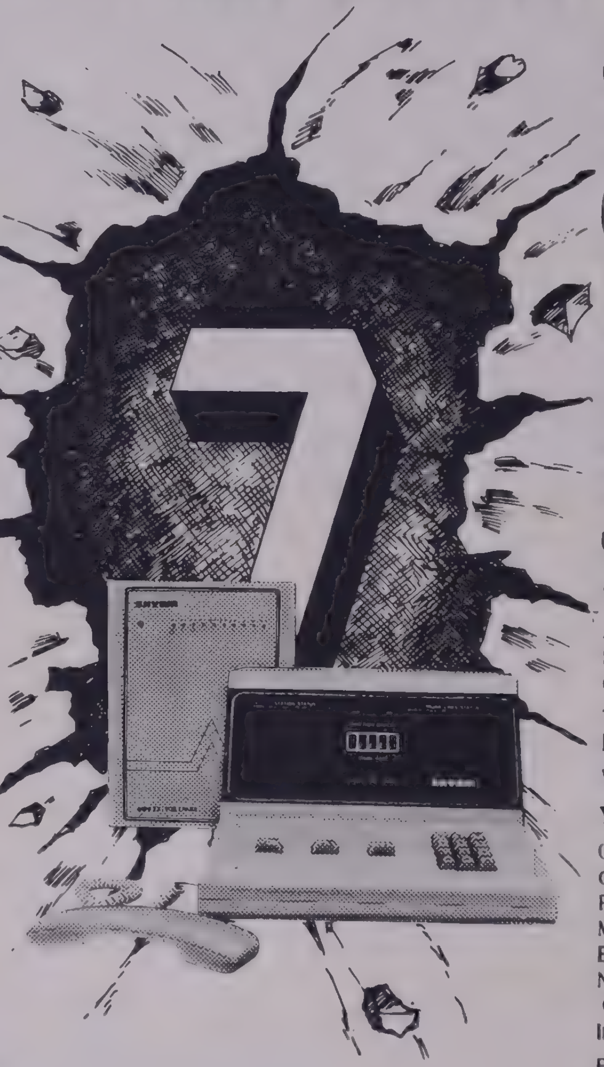

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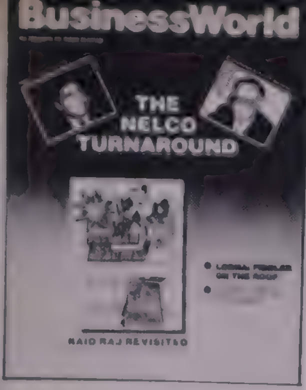
THE EDGE/D88/SC/99



ERRONEOUS ATTRIBUTION

I refer to the Economy & Business article in your issue dated April 11-24 entitled 'Shipbuilding: floundering on the rocks' by K. Mahalakshmi.

The article refers to a 'drastic solution' erroneously attributed to me and grossly misquotes me as,"I think it is better to totally write off our shipyards. We don't need such yards."

I have been consistently holding the view that if shipbuilding is high cost and cannot produce ships of international standards and quality and cannot deliver the ships for as long as 5 years as compared to 1 to 1.5 years delivery time in the case of foreign shipyards, it cannot be supported at the cost of shipping which has to operate internationally and consequently faces severe international competition from the fleets of other maritime countries.

However, this does not mean that Indian shipyards in which substantial investments have been made should be written off. There should be a tremendous improvement in the efficiency and productivity of the Indian shipyards, including the elimination of many factors such as the supply of high cost steel and equipment, imposition of levies and taxes such as excise duties, octroi and sales tax, over which the shipyards themselves have no control.

As long as Indian shipyards are competitive and offer the same price, delivery period and other terms and conditions as the most competitive foreign shipyards, Indian shipping companies are bound to place orders with them, for which there is an added incentive of soft loan-financing.

Indian shipping companies are also not exposed to the risk of adverse foreign exchange fluctuations which they are subject to in respect of foreign loans or deferred credits if they build the ships at foreign shipyards. Indian shipyards would also be able to export ships and earn valuable foreign exchange.

It is the *pari-passu* obligation involving compulsion on Indian shipping companies of building ships in India at any cost which should be written off and not Indian shipyards.

DR. S.N. SANKLECHA
Senior Vice-President
Great Eastern Shipping
Bombay

CONNED OMNI BUYER

Mrs. Meena Habibuddin, deputy manager (PR), Maruti Udyog Ltd., in your issue of March 28-April 10, states: "It would be unrealistic to expect all Indian vendors to attain Japanese standards of quality in a short period of time."

But who has to ultimately suffer these sub-standard components after paying full price? Me and hundred like me.

I purchased a Maruti van from Vitesse, Bombay, last November. While driving home from the showroom I noticed that it was rattling and generating a lot of noise. Also while taking delivery, I pointed out defects in the upholstery, and was assured that they would be rectified. But nothing has been done about it yet.

The best part of the transaction was that the attendant obtained my signature on the delivery document even before he showed me the vehicle.

While giving the van for servicing, I had given a list of the shortcomings of the car. One of them was that the doors were not properly aligned. On this point I was told that if the doors were fixed properly it would make a lot more noise. Believing the service-man I accepted a car with doors which were not adjusted to my satisfaction.

For the other defects pointed out by me, I was told the car is like that only and nothing could be done. I am really repenting discarding my faithful Fiat and buying a Maruti.

A.H. LAKHANI
Bombay

DECEPTIVE STATEMENTS

This has reference to the In the News titled 'Strength in diversity' (*BW* February 29-March 13).

It is rather surprising that an esteemed publication like yours could publish such a biased article which highlights the diversification of the Hyderabad-based Hifco group. Your reporter's statement — "The Hifco group companies enjoy the confidence of all classes of its shareholders (numbering 44,000) as well," needs to be taken with a pinch of salt.

Your article has, among other things, failed to report the controversial beginnings of the group's companies and the circumstances under which they have been formed. Public funds roped in by the respective companies of the group during the crazy boom period of 1985 were later on used to buy shares of sister companies to gain more control and increase managerial stakes. Prominent companies in the group include Hifco Growth Fund Ltd. (renamed Hiflon India Ltd.), Hifco Leasing Ltd., Bangalore Leasing Ltd., Midland Leasing Ltd. The shares of none of these companies have fared well on the stock exchange; in fact the shares are not even saleable.

The Hifco group was also the pioneer of the private placement trend, which later on turned into a veritable trap for luring thousands of innocent investors in the country.

The only time the Hifco group has tried to come into the limelight was during its debenture issue somewhere in late 1986 or early 1987. But even that issue, I am given to understand, was a total flop.

In the circumstances, the credibility of the statement — 'The Hifco group companies enjoy the confidence of all classes of its investors' — is under doubt.

Also, it is worth pondering over the final statement of the article — "Yasaswy's plans to emerge as an influential conglomerate should not be difficult to realise," — but at whose cost?

ANAND P. SHENOY
Bombay

FAUX PAS

We refer to the Offstage titled 'A-I's Real Boss,' in your issue of April 11-24, 1988.

According to the report: "... it has been ordained that the memorandum of understanding (MOU) between Air-India and the Union government will be signed on the former's behalf by Jetley rather than Tata." This statement is patently false. The MOU was signed on behalf of Air-India by Ratan Tata, chairman of Air-India, and not by Rajan Jetley.

CAPTAIN J.R. MARTIN
Chief public relations manager
Air-India
Bombay

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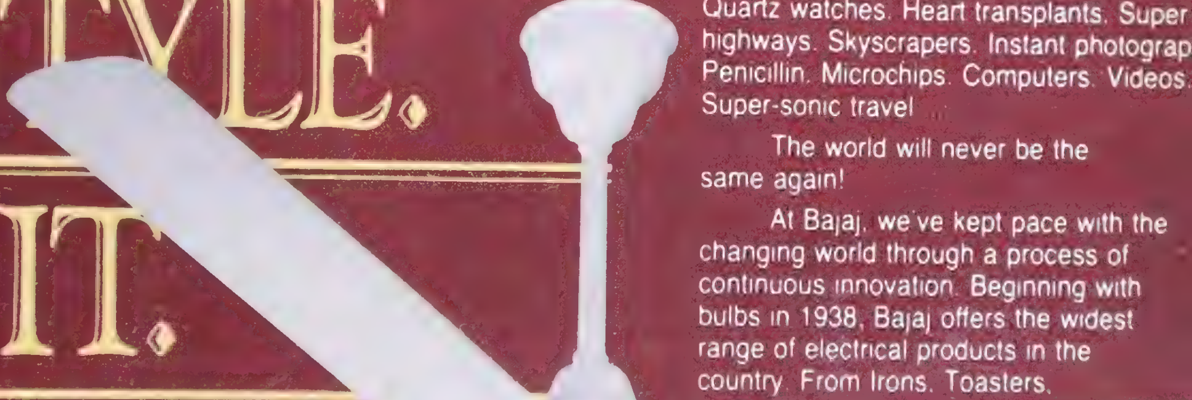

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AMRITRAJ: BIG BREADWINNERS

From a bit role in Ian Fleming's *Octopussy*, tennis star Vijay Amritraj has bitten into perhaps tastier confections — biscuits. Amritraj has joined the board of directors of the food products giant Britannia Industries Ltd.

Britannia had started to court the tennis maestro much earlier. The company provided most of the funds for the Britannia-Amritraj Tennis Foundation. Now the affair has been solemnised in the boardroom.

With Britannia added to his directorships in the shoe company Carona and the Leela Penta Hotel, Amritraj may well be said to be falling in line with one of the slogans of the day — *roti, kapda aur makaan*. The first is Britannia's contribution, Carona provides the apparel and Leela Penta does the rest. Amritraj's other corporate ventures include a television company, Orient Vision, in India and an entertainment company in the US. "I am always interested in activities of all kinds," says he.

On his role in Britannia, he says that "My association will help the company to promote its image in the country and abroad." It's a short step indeed from lobbing to lobbying.

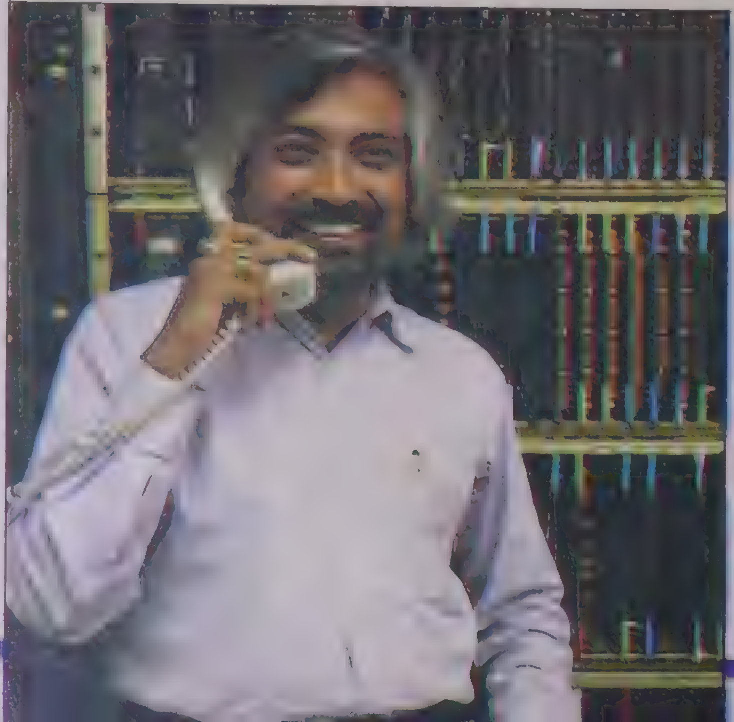
Sam Pitroda, the man with five missions, is making many a headline these days. With reason: he has been flitting around the country trying to propagate the Rajiv Gandhi brand of hi-tech thinking.

Not all his sorties have been successful, though. Some time back a sceptical Patna audience quite flummoxed him when it refused to accept his rhetoric with the customary 'oohs' and 'aahs.' Came the question: can computers stop corruption? And Pitroda could only defensively quip: "Well, a computer can't produce a baby if you want it to."

Other offspring of Pitroda's glib tongue are being oft quoted today. Recently, he told a Pune meeting that, on telecommunications "we collected more data but derived less knowledge." This time the knowledgeable only nodded agreement.

But perhaps his most profound *mot* to date is the one quoted in *The Indian Post*. Said Sam: "Jeans or scotch do not stand in the way of adopting Gandhian principles of social justice." Jeans and scotch! Which Gandhi is he talking about? Can't be the Mahatma, surely.

PITRODA: GANDHIAN PATH



BIRLA: FORTHCOMING ATTRACTION

Even while the Tatas continue to depend on their tried and tested stable of septuagenarians and octogenarians, the younger Birlas are creeping into the limelight. This fortnight, Sidharth Birla (31), the eldest in the fourth generation of one of India's premier business families, makes a quiet debut into public life — as vice president of the Indian Chamber of Commerce (ICC), Calcutta.

After a year's stint as senior vice president in 1989-90, Birla should take over as president of the high-profile ICC in mid-1990. Incidentally, when he does so, he will beat Rajive Kaul's record as the youngest ICC supremo by a clear five years. And once he has done his term, the decks will have been formally cleared for Birla to mark his candidature for Indian industry's top elected post — the presidentship of Ficci.

So far, Birla's entrepreneurial track record has not been much to write home about. Clearly, an industry spokesman has to first establish his mettle to gain credibility. Will the donning of the ICC hat now serve to egg Birla on to a more creditable role as an industrialist?

A PICTURE OF SUCCESS

He is the bearded and bespectacled technocrat who has hit the big time the way it happens only in dreams and paperbacks. He is Satish Kaura, the soft-spoken managing director of Samtel India Ltd., the engineer turned industrialist with an eye on the 21st century.

The name may not ring a bell. There is no Birla, Modi or Goenka tag attached. Nor is there a halo *à la* Ajit Haksar and A.S. Ganguly. Not surprisingly, for Satish Kaura (44) belongs to the new breed of immensely successful 'can-do' industrialists. In all probability, he and Samtel will be a force to reckon with in Indian industry in the nineties.

ELECTRONICS EMPIRE

Samtel India is the largest manufacturer of picture tubes for black and white television sets. And Kaura is Samtel's promoter, chief executive and boss. Kaura reigns over two other companies: Teletubes Electronics, the first private sector manufacturer of picture tubes in India, and Samtel Colour Ltd., again the first manufacturer of colour picture tubes in India. His electronics empire chalked up a sales turnover of Rs. 70 crores in 1986-87. In the current year, sales will cross the Rs. 100 crore mark with a lot to spare. By the nineties, group turnover will almost certainly exceed Rs. 200 crores — big time by any yardstick.

It has been an amazing growth — even for the electronics industry. Behind this success lies Kaura's personality — that of an empire builder in the classical mould. "Through my companies and their products, I have always attempted to create something which leaves a lasting impression," he says. In fact, Kaura is obsessed with two words: creation and growth. "Growth is essential for survival. In today's world you either grow or perish. The tortoise never wins the race." This is Kaura's dictum for himself and Samtel employees. The yen for creation is to leave a mark — "a lasting impression" on industry.

Kaura is obsessed with growth. Growth is essential for survival. 'In today's world, you either grow or perish. The tortoise never wins the race.' This is Kaura's dictum for himself and Samtel employees

Arrogant words perhaps, but Kaura manages to put the message across in a characteristically unassuming way. As a company employee says with evident admiration: "Secretly, Kaura nurtures the ambition of being a third world version (read: a poor nation's version) of Sony Corporation's chairman Morita. Tough, visionary and driving."

Such razzle-dazzle of success was, however, not evident in Kaura's early days. A toddler when Nehru proclaimed India's awakening in 1947, he was brought up as a typical son of a typical government servant in Kanpur. "Nobody in my family had ever ventured into business or industry. Even now, most of them are professionals." Nor had Kaura shown tell-tale signs of the shape of things to come.

TRUE TO FORM

"Like all good students in those days, I joined IIT (Kanpur) for a degree in electrical engineering with a specialisation in electronics," says Kaura. Then, true to form, he flew westwards in 1967 for "higher studies and greener pastures." Yet, even in those days, Kaura's vision of the future had begun to materialise. "There were so many run-of-the-mill engineers, lots of them brilliant. But that, I felt, wasn't enough for me," says Kaura. A confused and ambitious youngster then, he had no clue as to what exactly he wanted.

Once again true to form, he obtained a master's degree in Canada and started working. This is when his desire for challenges new and different surfaced. "Computers were still a novelty then — except in isolated pockets. They fascinated me and for six years I worked with computer firms in Canada," recollects Kaura. Incidentally, Kaura was a marketing man for the Canadian firms.

These stints taught him quite a few lessons. And he still remembers and follows them. "Foremost was the art of giving more than 100%. It did lead to unmanageable pressures sometimes. But overall, the results have been worth the effort," says Kaura. He has followed the same policy for Samtel "Give youngsters a chance to do more

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than they possibly can. Most often, they'll do it," feels Kaura. He is convinced that Samtel's spectacular growth and success rests on this trait: the effort to do more than what seems possible.

Another lesson learnt was of absolute professionalism — a trait he feels is yet to be completely absorbed in Indian industry. "Even in the early days when I was a fledgling industrialist-entrepreneur and perpetually strapped for cash, our unit had a workers' canteen. And the workers had uniforms," says Kaura. Apparently, a number of people mocked at this insistence on discipline — especially when he needed the cash. "But I held on, and it is evident that the policy has paid off," muses Kaura.

So much for the Canadian lessons. The jobs also helped Kaura to identify his aim in life. "Independence — that was what I wanted," he says. That was in 1972. The early seventies also witnessed the first efforts in India to woo NRIs. "I was one of the first few NRIs to come back and set up an industry," recalls Kaura. There were two others who joined him.

"After extensive enquiries about potential projects, we settled for the manufacture of picture tubes. No one n the private sector was in this indus-ry then," says Kaura. Decision made, Kaura and his partners faced a simple yet formidable hurdle: "We had abso-utely no clue as to what picture tubes were all about."

NOVEL SOLUTIONS

But Kaura was unfazed. And he hit ipon a slightly bizarre solution. Kaura iad developed a good rapport with a JS-based tube manufacturer in his Canadian days. "I approached him and mmediately struck a deal. We were to vork in his factory for three months nd get to know all about the business f picture tubes. His part of the bargain vas total help. Our part was: work vithout wages," says Kaura. A novel eal indeed, indicative of a man who ulls out all the stops once a decision made.

Training over, Kaura studied the merican and British markets to learn ven more. And learn he did. "I figured ut a good proposition. The idea was to nport defective tubes — available at rowaway prices — and repair them India," says Kaura. A good idea, but e *babu* bureaucrats in New Delhi eeded a lot of convincing. "It wasn't sy going," recollects Kaura. "I did not ave a single relative in the Central government, no patron either." But a number of patient knocks later, the government's doors opened. So did the purse-strings of financial institutions.

Kaura is all praise for the financial institutions. "Being one of the very first NRIs to get into the act, I should have faced lots of problems. But I found the government very cooperative," says Kaura. Sans patronage of any sort, Kaura must have been really persuasive. Perhaps his marketing savvy came in handy!

Thus Teletube Electronics was launched in 1973 with an initial investment of Rs. 6 lakhs — Rs. 5 lakhs from Kaura and his two partners and the rest as term loans from banks. "The beginning almost signalled the end," recalls Kaura. With a first year turnover of Rs. 60,000 and severe cash flow problems, Kaura's dream of "creating a lasting impression" almost came a cropper.

SAMTEL'S COLOUR PICTURE TUBE BEING MANUFACTURED

Soon, however, things steadied somewhat and the company started growing. Still, being basically an engineer, Kaura never could fathom the intricacies of finance management — at least in the early days. Now, of course, he has learnt. "This led to a peculiar situation later on when the idea of Samtel India Ltd. was mooted. Teletube's equity base was too small to absorb such a large project. Perforce, we had to promote Samtel as an independent project," says Kaura. The story was repeated when the time came for Samtel Colour Ltd.

But the group is well geared now to meet fresh challenges of growth, what with a battery of finance professionals in his team. Kaura himself devotes time to bigger tasks: planning for growth and keeping pace with changing technology. This quest finds Kaura frequently jetting abroad. "It is all important to keep abreast of the latest technological developments, especially in the electronics industry," feels Kaura.

What else does he do to keep pace? "I spend almost all my leisure time reading magazines from all over the world," says Kaura. But, he never carries work home. "I have two kids and I do love spending time with them. Even Sundays I spend at home — no work please," he says. Socialising too is restricted.

Sitting on top of a big and growing empire, Kaura has yet to slow down. "In the nineties, I want Samtel to be a force to reckon with in the international picture tubes industry. That is precisely why we are concentrating all our attention on tubes right now," says Kaura. That might seem a tall order. But given Kaura's determination and capacity to pull all the stops, he might just achieve what does not seem possible right now.

Even otherwise, Kaura represents the archetypal first-generation industrialist of the post-independence era: determined, educated, innovative and a can-do man. He and others of his ilk are the much-needed catalysts for an Indian industrial revolution

■ *Sutanu Guru*

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THE QUEST FOR INSTANT SUCCESS

Food for thought: the average Indian spends 52.4% of his income on food. Thought for food: there is a lot of it going on in boardrooms these days. Corporate whizkids are sharpening their brains and pencils to chalk out plans to enter the burgeoning convenience foods market. The Maggi noodles success story, the revolution in packaging, the advent of the two paycheque family and the rapid proliferation of the idiot box culture have all combined to inspire countless new entrants into this arena.

"There is a huge market out there just waiting to be tapped," says Ravi Kiran Aggarwal, vice chairman and managing director of Tasty Bite Eatables Ltd. Tasty Bite, which has already started trial production, is on the verge of launching a whole range of ready-to-serve foods in retort packs. Along with this will be a variety of frozen vegetables and soups.

"We do not expect any problems in selling our products," says Sanjiv Makhija, general manager (corporate marketing and management) of All Seasons Foods Ltd. This company, which made its first foray with a range of sauces, has flagged off an instant omato soup which, says Makhija, is going great guns. On the anvil are more han 40 more dishes ranging from nushroom curry to Hungarian beef goulash.

Al-Kabeer, a household name in the Gulf because of its frozen meats, has only recently made an entry into the lomestic market. Added to exports of over Rs. 13 crores is an expected Rs. 1 rore from domestic sales. And, though general manager Aspi Dinshaw does not think that ready-to-eat foods will contribute very much to this in the near future, the company is already marketing a variety of kababs, burgers, cutlets and pattices. Frozen shrimps, which are a big hit abroad, may also be introduced shortly.

CLOCKWISE FROM TOP LEFT: KATE, DINSHAW, AGGARWAL AND SHETTY

> *The Maggi noodles success story, the revolution in packaging, the advent of the two pay-cheque family and the growth of the idiot box culture have combined to inspire countless entrants into the convenience foods market*

Doubtful volume sales. Anand S. Kate, deputy general manager of Mafco Ltd., is rather doubtful about the prospects of instant foods. "I have a feeling they will cost too much and the companies will not be able to get the sales volume they are looking for," he says. But, Mafco, too, with demand for its frozen products plateauing, is looking around for greener pastures. It already sells about one tonne of semi-cooked kababs and hamburgers a month (valued at about Rs. 40,000) and markets a range of *srikhands* (such as Amarkhand and Chocokhand). More is in store.

Convenience foods, actually, come in various shapes and sizes. There is the variety you just have to heat and eat. They have been around for a long time but only in tins. They may also mean the various types of mixes available — from *gulab jamun* to *rava idli*. Add to this partially processed items, soya-based products and snack foods, and the range is incredible.

So are estimates of market size. Figures in the industry are hard to come by because of a certain lack of definition: what exactly is a ready-to-eat item? Some would put bread and cheese in this category, others would restrict it to only pre-cooked items which come in self-heating packs (a

A BANGALORE LEGEND

MTR Condiments, a Bangalore-based outfit, is a convenience foods manufacturer with a difference. It is the private face of Mavalli Tiffin Rooms, a must for every tourist visiting the city.

The restaurant was established in 1924 and has over the years become a landmark in Bangalore. It has a limited menu, the coffee and tea come in silver tumblers and waiters flit around in traditional spotless white *dhotis*. For the locals, it is a venerable institution. The venture into packaged convenience foods may seem a natural extension of the line of business. But it didn't exactly happen that way. It was a by-product of the Emergency which brought in its wake price restrictions on items served in hotels and restaurants. What this meant was that the *idlis*, *vadas*, etc. could only be of a particular weight and a particular price.

But the Maiya cousins, who run the show, refused to compromise on quality. For a few days quality was maintained though prices were lowered, as stipulated by the government. But the losses could not be borne for too long and the restaurant downed shutters. (This led to a public outcry and the restaurant did reopen after six months when the government withdrew the order. The restaurant is currently facing another threat because the Bangalore municipality wants to broaden the road on which it is sited. If the municipality has its way, it will mean closure again.).

Popular mix. "When we closed down (during the Emergency), we were faced with the problem of finding jobs for the workers who had been with us for many years," recounts managing partner P. Harishchandra Maiya. "So we went into packaged foods. We started with a *rava idli* mix because this was one of the most popular items served in the restaurant. This instant food turned out to be quite a hit with the customers and is still our fastest selling item today." Before MTR, nobody had come up with a *rava idli* mix.

But MTR Condiments has not exactly been a success story. "It has not been a very profitable venture because of the galloping costs of raw materials, all of which cannot be passed on to the consumer." With production pegged down because of the need to concentrate on the restaurant itself, the overheads have been eating away the margins. The firm's sales turnover in the year ended March 1987 was around Rs. 70 lakhs and it is likely to be Rs. 85 lakhs this year.

"We did not get into this business by choice," says Maiya. "And we would not like to be a large manufacturer of instant foods; we would rather be small but quality-conscious. I do not foresee any phenomenal growth."

MTR is perhaps typical of the fragmented market in instant foods these days. Like the hundreds of its ilk, it operates on the fringes with no aspiration to make it to the big league.

■ *N. Raghavan*

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product which All Seasons is planning to introduce soon).

The whole processed foods market is vast. Estimates of the size range from Rs. 12,000 crores to Rs. 15,000 crores. By 1990 this should reach Rs. 20,000 crores. And the export potential is also enormous. Says Makhija: "People in the UK, for instance, are crazy about Indian dishes. And the prices Indian restaurants charge out there are astronomical. For them it will be a cheap taste of exotica. We expect to do very well on the export front."

Exports may buck up the absolute figures, but there is a lot of hard work to be done at home. Compared to the huge overall market, convenience foods have, according to *AdWorld* estimates, only a Rs. 300 crore share. The ready-to-eat variety in flexible packages — as distinct from the tinned variety — has yet to make its mark.

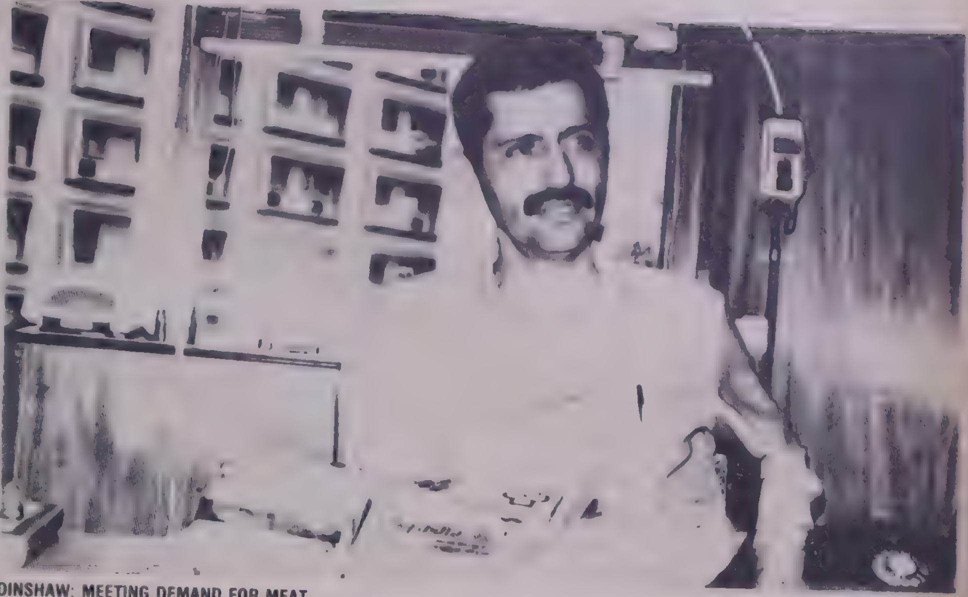
But the current contenders have done some homework and feel that the sky is the limit. According to a survey conducted by Tasty Bite in four metros and two mini-metros, the annual demand for ready-to-serve products is 3.81 lakh tonnes per annum. For frozen vegetables it is as much as 4 lakh tonnes. As against this, Tasty Bite plans to have a capacity to process 10,000 tonnes of frozen vegetables and snacks and 5,000 tonnes of ready-to-serve food products. All Seasons has a 30,000 tonne capacity and the other contender in ready-to-eat products in retort packs — the Mysore-based Anitah Sausages & Foods — has a capacity of only 1,000 tonnes. Small wonder then, that everybody is sanguine that there will be no problems in hawking the products.

> ***According to a survey, the annual demand for ready-to-serve products is 3.81 lakh tonnes per annum. For frozen vegetables it is 4 lakh tonnes. Small wonder that everybody is sanguine that there will be no problems in hawking the products***

Affordable prices. "Of course, price will be a factor," says All Seasons' Makhija. "But I think our price range of Rs. 12 to Rs. 20 is very affordable. It's a

full meal, you know. Where can you go outside and spend less?"

Makhija points to the soup experience as evidence that success on the food front is also assured. "There were no statistics to help us in our launch. We just had this gut feeling that the instant soup market was underdeveloped. Currently, you do get these so-called instant soups in tins. Instant, in their terminology, means that it takes 20 minutes to cook. Our soup mix just has to be put in hot water and stirred. We expect a turnover of Rs. 10 crores to Rs. 15 crores this year from our soups alone." Add to this the Rs. 25 crores to Rs. 30 crores (Rs. 90 crores at full capacity utilisation) that All Seasons fancies it will gross from ready-to-eat products. Clearly the company, if all its plans work out, should be sitting pretty.



DINSHAW: MEETING DEMAND FOR MEAT

But not everybody can work a Maggi miracle. The me-too products that its success spawned have all proved flops. Similarly, other companies that willy-nilly ventured into food products have burnt their fingers. For instance, Indian Organic Chemicals Ltd. has found the going for its Niknaks brand of potato chips extremely tough and has postponed its planned foray into french fries. (By contrast, Welga Foods Ltd. — an UP-based cooperative outfit — has taken the plunge with its Potatoz brand of french fries, but it is too early to say whether the product has bombed.)

Another company which came a cropper through lack of planning is Mysore Snackfoods Ltd. In 1974-75 it came out with ready-to-eat snacks like cheese curls, cheese rolls and their spiced varieties. The packaging material then available was just not good enough and the products had to be withdrawn at a considerable loss. However, it later went into soya-based products and has recently launched vermicelli and an instant *gulab jamun* mix. Coming up soon is also a *rava idli* mix.

"Companies which venture into instant foods should have the capacity to hang on for at least two years," says managing director M.K. Panduranga Shetty. "They need an efficient distribution system and should be in a position to spend lavishly on advertising. But big spending on advertising is not possible without a large turnover and this is ruled out because of the various levies on instant foods. Direct and indirect taxes constitute 70% to 80% of the price of a processed food product. In consequence, it is priced out of the common man's reach."

AGGARWAL: TAPPING A HUGE MARKET

Luxury item. The levies on food products are something which everybody seems to complain about. "The government considers processed foods a luxury item," says Tasty Bite's Aggarwal. "How can you do so in an agro-based economy? Look at the vast amounts of vegetables and fruits which are rotting away because there are no processing facilities near at hand."

Aggarwal also explains that processed foods such as frozen vegetables may cost more because of the value added. "But they act as a balancing factor. The price of peas in Bombay can range between Rs. 3 and Rs. 30 per kg, depending on the season. But the price of frozen peas remains constant."

The cost factor apart, there is the question of acceptability. "Most new products need a ready frame of reference which is relevant to the Indian context," says Amitava Chatterjee, product manager at Kothari General Foods Corporation Ltd. "We have certain socio-cultural habits. We believe in eating fresh vegetables and foods. These barriers are probably preventing the market from expanding rapidly."

But the barriers are collapsing. When Gits Foods Ltd., easily the market leader in the dehydrated foods segment, launched its powdered mixes in 1963, there was the initial consumer resistance. Now, hundreds of companies have entered the field and the number of brands available is legion

Today, a new generation of foods is all set to conquer a new generation of consumers. The catchword is convenience: the ready-to-eat brigade is ready to storm the markets

■ *Parthasarathi Swami*

METAL BOX

KHAITAN CALLS IT A DAY

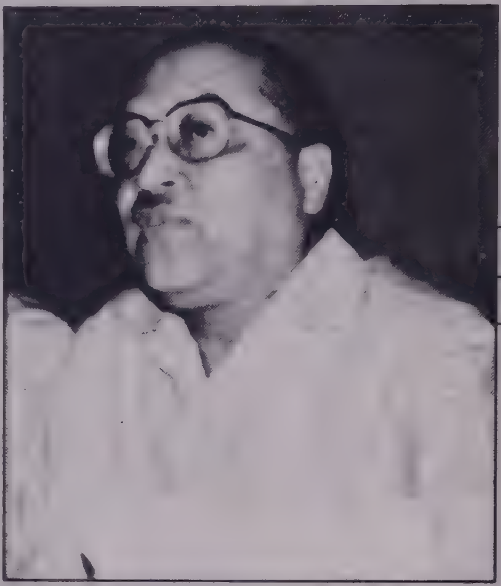
It seems do-or-die time is nigh for India's premier packaging company — Metal Box India Ltd. (MBIL — sales: Rs. 131.9 crores in the year ended 31st March 1987). And there are conflicting conjectures as to which way the pendulum will finally swing.

On the positive side, there is Vinod Krishna (45) taking over as the ailing company's new managing director and last hope (see 'Krishna to the rescue' in BW March 14-27, 1988). But the rest seems bleak. A fortnight before this, at an MBIL board meeting (where Krishna was present as an invitee), the father and son duo of B.M. Khaitan (60) and Deepak Khaitan (31) dramatically announced their resignations from the board — ostensibly heralding the severance of the dotted-line relationship between Metal Box and Khaitan's industrial house of which the flagship concern is Macneill & Magor Ltd. (sales: Rs. 75.9 crores in the year ended 30th June 1987).

To rub in the stark reality of Krishna's sick inheritance, the high-powered Board for Industrial and Financial Reconstruction (BIFR) has posted the Metal Box case for hearing on 11th May. The presentation at BIFR is obviously the new chief executive's immediate priority. To signal the gravity of the case, a rare three-man bench has been constituted by BIFR (consisting of chairman R. Ganapathy, M.S. Narayanan and V.B. Kadam) to consider a revival strategy for the largest metal container manufacturing company in the country.

Not surprisingly, there is endless speculation about why the Khaitans have pulled out. After all, with his 7% stake in MBIL and 11% shareholding in India Foils Ltd., B.M. Khaitan has had a say in India's two top packaging companies. Given that packaging is one of the few sunrise sectors of Indian industry, Khaitan's long-term marketplace advantage is not to be sneezed at. The question naturally arises: why should one of the nation's more successful and astute industrialists give up this sizeable advantage?

Beyond redemption. Cynics say that the Khaitans have read the writing on the wall. In other words, MBIL is beyond redemption. It is therefore safer, runs this line of argument, for the



This company can still be revived if speedy action is taken

— B.M. Khaitan

Khaitans to risk a loss of face and abandon ship now rather than be foolhardy and sink with it.

The elder Khaitan, however, does not place himself in the company of these cynics. "This company can still be revived provided speedy action is taken," he says. What riles him is the seemingly nonchalant attitude on the part of some of MBIL's major stakeholders, viz. the term-lending financial institutions (equity holding: 24%), banks and labour. "In any business, success depends on the joint effort of all concerned. But in Metal Box, it seems the onus rests solely on me. Till the recent closure — and indeed till date — the company has not suffered the ignominy of a single default on statutory payments, despite all its difficulties. Banks have earned the interest due to them, labour has enjoyed full paypackets, and creditors have had their bills paid. Only the shareholder is left to shoulder the burden," he wonders.

Now, all eyes are turned on whiz-kid Krishna who is pitted in the hottest corporate chair going in India today

The proverbial last straw on the camel's back was placed on 15th April, when workers' processions converged upon Khaitan's residence in south Calcutta. Earlier, a union delegation had sought to meet chief minister Jyoti Basu in vain. Incidentally, the industrial relations tangle at MBIL is exacerbated by the fact that the firebrand union president Subrata Mukherjee is a Congress(I) legislator and an opposition functionary in Marxist-ruled West Bengal. Therefore, the issue of settling labour disputes at Metal Box has distinctly political overtones. But by all accounts, Khaitan has no fancy for a part in political games.

Corporate monitors agree that Khaitan's "feeling of hurt" that other stakeholders are not chipping in with an adequately supportive role is not totally unjustified. They cite that the sale of MBIL's sprawling 150,000 sq ft property in Worli, Bombay, has been pending for well over a year because of "delays in completing procedural formalities." It might be recalled that Khaitan wanted to raise cash to the tune of Rs. 12 crores by selling this property to a public organisation — identified in this instance as none other than MBIL's lead financial institution, the Industrial Credit and Investment Corporation of India (ICICI).

So far, the sale has not been finalised even as deadweight interest costs crush the company. Similarly, the sale of Barlow House, Calcutta (for Rs. 5.5 crores) took its own time. The most preferred

Metal Box India Limited

SCENES OF THE LOCKED OUT METAL BOX FACTORY

US bans
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BARLOW HOUSE

METAL BOX HEADQUARTERS

customer was the State Bank of India (SBI) which blew hot and cold for months on end. Ultimately, after it was clear that SBI would not take it, the prized property went to Ross Murarka Finance. The price is being adjusted against future lease rentals.

Rehabilitation package. Right now, the institutions in leisurely fashion are mulling over a Rs. 35 crore rehabilitation package designed to pump adrenalin into the company's blanched arteries. Of this amount, Rs. 12 crores is slated to be spent on retrenchment costs aimed at reducing the overmanned 7,200-strong muster roll by 30%, Rs. 15 crores is earmarked for new plant and machinery and Rs. 8 crores to meet the working capital needs. On its part, MBIL's UK-based associate, Metal Box plc (shareholding: 32%), baulks at further investment in India, but promises "all necessary technical support."

With Khaitan having relegated himself to the role of a dormant shareholder, it is a matter of conjecture as to how MBIL's future will unfold. The options are few. Some observers predict that BIFR will ordain a package deal in which ICICI will be nominated as the "operating agent" under the Sick Industrial Companies (Special Provisions) Act, 1985. With the purse-strings in ICICI's hands, Krishna will be given free managerial rein. These observers point out that there are at least two companies (India Cements and Best & Crompton) in which institutions have a majority holding but are professionally managed and are running quite well.

The other — and somewhat incredible — bit of speculation doing the rounds is that MBIL will be bound to whet the appetites of daredevil industrial houses, one of which might risk acquiring it for a song. Conceivably, if funds of Rs. 30-40 crores are pumped in to liquidate the interest burden (Rs. 8.2 crores in 1986-87), the company might show traces of black on its bottomline. By proper tax planning, the acquisition of MBIL's accumulated losses of Rs. 30 crores could even yield net benefits. Market gossip in Bombay (of uncertain parentage) has it that Hindustan Lever or the Tata group (under the aegis of the Tinplate Co. of India Ltd.) might possibly stand enlisted in this unlikely league of "daredevils."

Poppycock? Perhaps. For now, certainly, all eyes are on turnaround whizkid Krishna who is pitted in the hottest corporate chair going in India today. And if Metal Box is to be saved the ignominy of sinking in a sea of red, all shareholders and stakeholders would be well advised to give him a fair chance.

■ *Sujoy Gupta*

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....AND HEALTH CONSCIOUS TO BOOT

The recent obsession with health foods seems to have gone off at a tangent with health foods for shoes making an appearance in the market. Reckitt & Colman of India (RCI) has introduced a 'leather nourishing cream,' thus endorsing a practice that has for long been adopted by the pavement shoe-shine boys.

Although the cream massage given to shoes ensures an unparalleled shine, customers have had reservations on whether cream is good for leather. By introducing a branded product in this category, RCI has reassured the booted public that there is intrinsic worth in the flamboyant polishing services rendered at railway platforms and street corners.

The product, it would seem, seeks to redress the damage inflicted by RCI's earlier introduction — the liquid shoe polish — whose high water content spelt disaster for many a leather shoe.

The minuscule 'nourishing cream' jar has been placed in the market without the fanfare of product displays and merchandising that one normally associates with a Reckitt launch.

MELLO
MELLO

CHOCOLATE STIMULUS

While the influx of competition has done little to disturb the market leadership of Hindustan Cocoa Products (Cadbury's) in the chocolates market, the company is definitely responding to the stimuli generated by the new entrants. Not too long ago, Atari Foods, Hyderabad, introduced a coconut-filling chocolate under the unimaginative brandname Cocolet. In an extremely quick response, Cadbury's has come out with Mello — which is a combination of coconut and nougat in dairy milk chocolate.

While aspirants such as Dr. Writers, Campco, Sathe and even Amul fight for shelf space and consumer loyalty by experimenting with flavours and colours, Cadbury's has done little to add to its product range. At best, to maintain consumer interest it has varied the pack size of existing brands. Thus the dairy milk chocolate was made available in four pack sizes and its 5-Star and other brands in at least two sizes. And occasionally, Cadbury's changed the creative focus of a brand where consumer interest seemed to be flagging. By way of novelty Cadbury's introduced the 'wild life' chocolate, which by the company's own admission is dairy milk chocolate in a 'freaked out pack.'

Mello, hence, comes as a genuinely new product from the market leader after a long lapse. The new chocolate is aimed at cultivating consumers in south India, especially along the coastal belt, where coconut forms a regular ingredient in cooking. But consumers have already been complaining that the coconut content in Atari's Cocolet has been turning rancid if it is not stored in an air-conditioned place. It is hoped that Cadbury's will have taken the necessary precautionary measures to prevent this occurrence with Mello.

NOW, HI-TECH SOUPS

It is not often that consumers get to witness entrepreneurs with the temerity and staying power of All Seasons Foods Ltd. Its latest introduction into the retail market is Hi-Tech Soup. In case one wonders about the rather unpalatable brandname, a review of the company's history can be illuminating. Backed by the reputation of Tarla Dalal's culinary skills, All Seasons Foods commenced its foray into the Indian consumer product market with an array of sauces. Specifically, the flavours were Roots, Leaves, Chaat and Sambhar Magic. Behind these very ethnic names lay the fact that none of these sauces was radically different from those prepared by housewives at home as a matter of course. And the sauciest aspect of these products was their pricing. To pay exorbitant prices for such low technology products was unwarranted; and the range faced failure right at the trial stage.

Undaunted, the second phase saw the introduction of another sauce, dubiously named Mexican Fiesta. The product fared better probably because of the curiosity it aroused. Somewhere along the line, the tomato ketchup was sneaked into the market unostentatiously, but was cast aside as yet another vain aspirant to the Kissan and Dipy's stronghold.

As if in reaction to consumers' rejection of its earlier products, All Seasons has proclaimed the tomato soup sachet (one-serving, priced at Rs. 3) to be a high-tech product, and not something which the housewife can rustle up faster and cheaper at home.

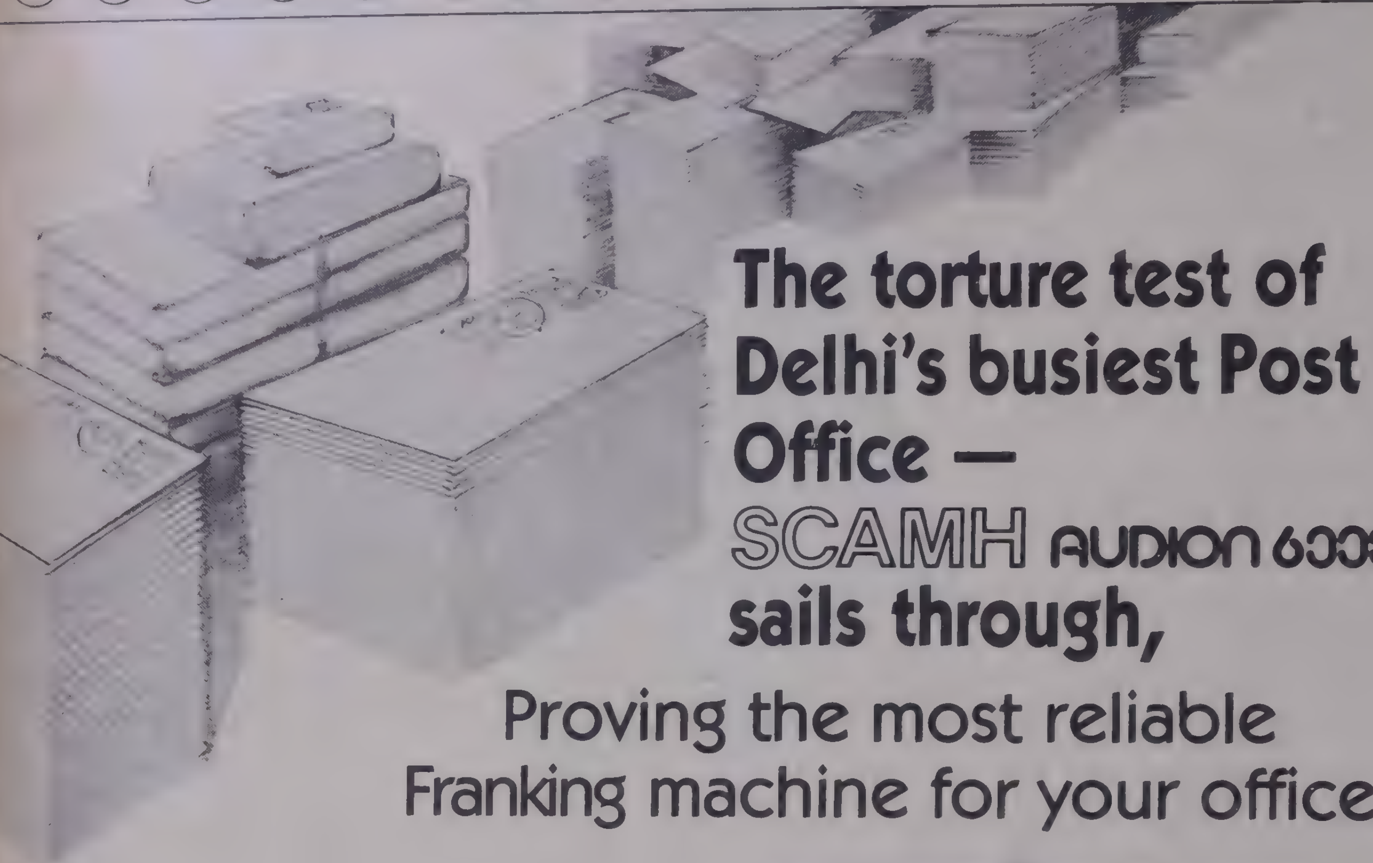
BRINGING IN THE GARDEN

Keeping pace with the recent boom in the low-priced toilet soap segment, Wipro has launched yet another toilet soap — Jasmine. The soap, a 100 gm tablet with a total fatty matter content of 71%, is reasonably priced at Rs. 4. Since after Liril no other entrant has succeeded in establishing itself on the freshness appeal, Wipro has toed the line of the pacesetter.

Wipro, after the debacle of its Bubbles brand of soap, has been desisting from innovative product positioning strategies and is introducing not-too-successful me-too brands. Its other brands available today are Santoor, a sandalwood soap, which tries to plug the gap left by shortages in the supply of Mysore Sandal Soap, while its Shikakai brand replaces the same product from the erstwhile leader Swastik.

Jasmine is poised to take over from where Jai (Tomco) leaves off.

■ *Kavita Gursahaney*



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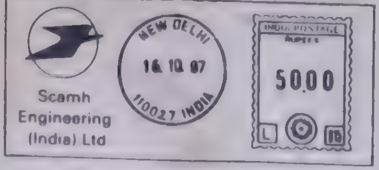

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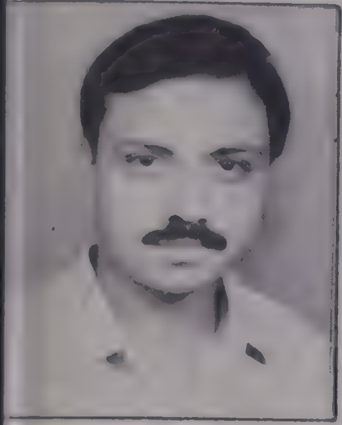
SPARKS

MOOD MARKETING



What is common between Disney World and Vishala restaurant at Ahmedabad?

Disney World is a theme park and one of the greatest tourist attractions in the world. Spread over 28,000 acres in central Florida in the US and built at a cost of $1 billion, this children's wonderland has set new standards of success for an entertainment complex. It has a combination of high-tech and igh-touch attributes. The primary theme of education and ntertainment is targeted at three levels — the child, the dult and the family. A host of related attractions have een created to market the theme. A child can meet Mickey Mouse, an adult can be awed and amazed by the cutting-dge of technology and a family can wander through recre-ted tableaux of America's past. Even the restaurants and ouvenir shops are coordinated to provide a setting condu-ive to both education and entertainment.

Vishala at Ahmedabad also markets a theme. The theme s again entertainment and education, but the package is otally different from Disney World. Vishala offers a typical ujarati village setting. There is a traditional Gujarati wel-ome, folk dances and music, puppet shows and Gujarati ood served in typical Gujarati style. There is also a hand-craft emporium where traditional handicrafts are made nd sold.

A museum at Vishala is an added attraction, and it ouses a rich collection of traditional vessels and utensils. he whole setting is unique as it familiarises a tourist with he rural environment of Gujarat. It also offers the local esidents entertainment in their own cultural milieu. Chil-ldren enjoy the open, musical and playful environment, thus influencing parents to make repeat visits to Vishala.

PACKAGED ENVIRONMENTS

The similarity between Vishala and Disney World lies in heir marketing approach. Both are marketing a packaged nvironment to their consumers. Just as the environment n itself stimulates entertainment and education in Disney Vorld, it adds a rustic and hospitable charm to Vishala.

However, the idea of marketing an environment is not mited to Disney World and Vishala. It has been adopted, hough not very consciously, by other services marketing rganisations as well. Its most conspicuous application has een in tourism marketing. Karnataka and Himachal radesh, for instance, have been reasonably successful in arketing Mysore and Kulu Valley respectively as pack-ged environments to tourists during the Dassera festival, vith the host of colourful and traditional ceremonies ssociated with it.

Selected hotels have even made considerable headway y marketing packaged services and an atmosphere. The ve-day sabbatical for the business executive at the Maurya Sheraton, Delhi, stems from the packaged environment concept. The Corbett and Dhaba restaurants at Hotel Claridges, Delhi, have created distinctive environments for the customer. The atmosphere at Corbett is that of a jungle, while at Dhaba it is reminiscent of the road-side *dhabas* which dot the highways of northern India. It offers customers a unique ethnic experience, sheltered from other classes of customers.

PROFITABLE APPROACH

Packaged environment marketing is conceptually equivalent to the branding of consumer products as it performs many of the same functions — it adds value, memorability, and often consumer loyalty to the merchandise or service. Its adoption could be a new and profitable approach for many service organisations. Tourism, hotels, restaurants, petrol stations, theme parks, educational institutions, hospitals, sports complexes and shopping malls can benefit from the various ways of marketing an atmosphere. It can ensure higher sales and increase consumer satisfaction with the packaged products or services.

But the adoption of the concept requires courage as a large investment and detailed organisation is involved. The designing of the package starts with the identification of the marketing objective, which is usually the communication of a theme-based setting that has to be translated in terms of quality, convenience, comfort or enjoyment. Inspiration from art, architecture, the audio-visual medium and a conducive atmosphere could all help an enterprise in the creation of an attractive and distinctive product or service. Possibilities also exist of transferring packages to markets in another region, country or continent. They may be modified to conform to local cultural and geographic imperatives and resource constraints. The best examples of transferred packaged environments are the Chinese restaurants in this country which have tried to create a mood typical in the provinces of China.

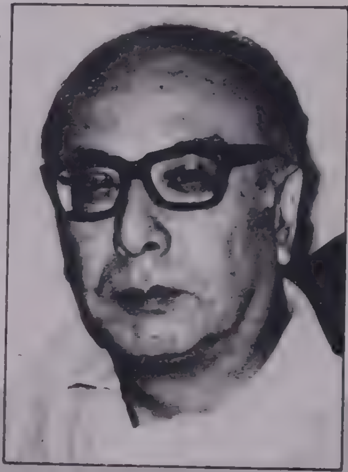
> *Packaged environmen*
> *marketing is*
> *conceptually equivale*
> *to the branding of*
> *consumer products*

Marketers can even benefit by extending the concept of packaged environment marketing to other occasions and purposes. It offers opportunities in the marketing of not only products and services but can also be adopted to market tradition and culture itself. Packaged marketing even adds value to the product or service — a value that is reusable in subsequent sale situations. If a distinctive and memorable environment has been created, it is capable of ensuring consumer loyalty and prompting repeat visits or purchases. And even though the capital outlay involved in the research and development of the package is huge, it is just a one-time expense. The subsequent rewards are worth the effort and the expense.

■ *Atul Parvatiyar*

MERGERS, SPLITS & CHANDRA SHEKHAR

As a preview of what the "centrist" opposition parties are capable of doing if they were in power, the events leading up to Chandra Shekhar's "triumph" in the Janata infighting cannot possibly be bettered. Manipulations, deals, intrigues and all the other standard forms of politicking were on open display. And throughout this discreditable exercise there was not the slightest trace of ideological commitment or conviction or of any motive other than what comes naturally to the quintessential wheeler-dealer in the political marketplace.



The point at issue, which was ostensibly responsible for the Janata convulsions, was Chandra Shekhar's unilateral announcement of a "merger" with Lok Dal (A) and the elevation of Ajit Singh to the post of "working president." Ostensible because although the "merger" was undoubtedly an issue, so was Chandra Shekhar's manner of achieving it as well as the underlying though unspoken rivalry on the larger opposition front between the Janata president and V.P. Singh.

> *V.P. Singh's expedient duplicity compares poorly with the robust, in its way thoroughly honest though unprincipled, unscrupulousness of Chandra Shekhar's politicking*

Chandra Shekhar's point that despite the constitutional provisos which were only a "technicality," he, as president, was entitled to organise a merger, was quite in the style and spirit in which he has dominated the party for eleven years. Squabbles over whether the national council meeting should be held before or after the merger, over the venue of the meeting, and over the constitution of the council following Janata's hospitality to Lok Dal (A) and Maneka Gandhi's Sanjay Vichar Manch, were only surface symptoms of a deeper malaise. The formula whereby Ajit Singh remains working president until Chandra Shekhar is replaced by a leader from the pre-merger Janata pending organisational elections is plainly no more than a patchwork device to avoid a split. Yet these Janata alarms have only served to underline the conclusion that a split already exists.

GREATEST IRONY

The primary split on the opposition side of the political spectrum is between Chandra Shekhar and V.P. Singh but accompanying this is the subsidiary split symbolised by widening differences between R.K. Hegde in Karnataka and the Janata president. That a party already riven by unacknowledged though hardly unconcealed splits should declare its interest in a wider centrist basis including the Lok Dal (B), Congress (S) and Jan Morcha is surely the greatest irony of all. To what extent Hegde has been the victim of dissidence inspired by the party leadership in Delhi is arguable. That the leadership has done little to control or discourage it is obvious. Chandra Shekhar's open confabulations with Devegowda and the "revolt" of more than 70 MLAs against the Hegde plan of a single, united larger party indicated that some kind of orchestration was taking place from Delhi.

The exhibition of open bickering, criticism and obstruction in Karnataka against the chief minister was designed to demonstrate not only where the real political clout lay but a willingness, if necessary, to apply it. Hegde's response to this over the years has been the feeble one of threatening to quit or of trying to placate his opponents by giving them seats in a grossly inflated ministry. Hegde was being given notice, not for the first time, that although his "clean" image was an asset to the party, there were limits beyond which it could not be translated into political clout.

Hegde has emerged from the Janata fracas with his credentials as a national leader frayed and tattered; and his letter of protest to Chandra Shekhar in which he likens the Karnataka Janata in 1938 to the Delhi Janata in 1979 is in contrast to the blunt assertion by the party leader that a party "does not run on technicalities." The upshot then for any non-Janata observer must be that if there is little to recommend a politicking politician in the Chandra Shekhar mould, there is even less to be said for those on the other side who make so much of their "principles," their "clean" image, and their supposed dedication to the cause of a united opposition. What, moreover, are we to say of the greatest visionary of them all, V.P. Singh?

He has conveniently remained aloof from the rough and tumble in which Chandra Shekhar has proved so adept. He has created for himself a holier-than-thou aura, not uninterested in political clout but reluctant to soil his hands in the competitive bid to gain it. While interested in politics he refuses to act as a politician and parades this far and wide as a rare virtue. More than anyone else he symbolises the utter bankruptcy of the "centrist" position, trying to keep on the right side of the BJP while accepting the communists as his "natural allies." This expedient duplicity compares poorly with the robust, in its way thoroughly honest though unprincipled, unscrupulousness of Chandra Shekhar's politicking.

■ *N.J. Nanporia*

DISCARDING THE BEGGING BOWL

CEI's new chief B. Lall doesn't mince words.

He dropped a bombshell right after assuming office. "It does not behove us to keep knocking at the doors of the government. For how long should we act as beggars?" Brijmohan Lall, newly elected president of the Confederation of Engineering Industries (CEI), was characteristically blunt. Breaking the customs and conventions of such associations — i.e. of asking for concessions ever more — Lall seems bent upon charting a new and different course of action.

CEI presidents have come and gone — all making tall promises steeped in rhetoric. But Lall, the vice chairman of Hero Honda Ltd. and a scion of the Munjal family, appears a shade more determined — and pragmatic. "The present government has provided substantial concessions and incentives. It is for the industry now to take advantage and deliver the goods," says Lall. Clearly, as far as Lall is concerned, the ball is in the industry's court. So is the onus of rejuvenating a ramshackle engineering sector and its sluggish exports.

Of course, like a true pragmatist, Lall does not go all the way. "I do not mean to say that every concession which ought to be granted has been granted. There will always be problems and, in a growing economy, the need for fresh incentives will keep changing — and growing," says Lall. Yet, according to him, the time has now come to consolidate the incentives already provided. "It is time for action, not mere words and demands," announces Lall in his typically no-nonsense manner.

Famous first words. But what does Lall aim and hope to achieve during his tenure as CEI president? "The first priority is exports," he says. According o Lall, it is absolutely imperative that he engineering sector significantly step up exports. "But a mere resolve doesn't help matters. The engineering sector in India has to concentrate on vital parameters before exports success can be a reality," feels Lall.

Two parameters. The two parameters re quality and productivity. In fact, he mission statement of CEI for 1988-89 will be "Export through quality and productivity." Lall readily admits that he engineering sector hitherto has een miles behind international competition. And, he is convinced that only after significant improvements in quality and productivity will foreign buyers accept Indian goods.

But matters, according to Lall, are already on the mend. "The industry has adjusted itself to the pressures of international competition after the economic liberalisation of 1985. Consequently, exports are bound to grow at a healthy and steady pace," observes Lall.

His resolve does not end with exports. "Along with growing exports, the domestic consumer will also benefit from higher quality and productivity, as even he is choosy today. So, the industry has to gear up accordingly," says Lall.

In this context, he is all praise for the new export-import policy and certain other packages offered by the government to exporters in thrust areas such as castings, forgings, software, bicycles, etc. Yet, predictably, he does have certain suggestions for the government. "Laws such as the MRTP Act and the Companies Act have outlived their time and utility. They act as unnecessary and dispensable obstacles to the growth momentum," feels Lall.

Unrealistic goal. His ire is also directed against the government policy of buying the cheapest goods available. "Quality inevitably suffers as a consequence," he says. Lall also takes a few potshots at FERA. However, his most important suggestion — in keeping with his aim — is on export promotion. "The single-window clearance system might be an unrealistic goal. But a single oganisation within the commerce ministry to facilitate clearances will ease a lot of avoidable problems and delays. Besides, ports and customs services will have to be shored up," says Lall.

Lall comes across as an evidently determined CEI president. And, one can expect action from a man who has single-handedly carved out the Hero group's industrial empire (turnover in 1987: Rs. 250 crores) from scratch. He also has a fitting reply for those who complain that the placing of engineering items under OGL is unfair for domestic industry: "If our industry cannot compete with imports despite astronomical import duties, it has no right to exist." Words Rajiv Gandhi would have loved to pronounce — and yet cannot.

■ *Sutanu Guru*

BRIJMOHAN LALL: ENGINEERING EXPORTS

BLOTTING THE RED INK

New formulae are being tested at Bengal Chemicals.

The Union government-owned deep-in-the-red Bengal Chemicals & Pharmaceuticals Ltd. (BCPL) is now making all-out efforts to rid itself of its losses aggregating Rs. 28.5 crores. This 87-year-old company — founded by the legendary Acharya Prafulla Chandra Ghosh — is currently finalising a Rs. 15 crore, five-year rehabilitation programme in conjunction with the IRBI and ICICI. "We have been initiating measures to improve BCPL's performance and prevent the company from slipping further," says managing director M.G. Banerjee (48), an M.Tech from Calcutta University, who accepted this onerous designation in October 1986.

Keeping the rehabilitation plan in mind, a number of steps have already been taken by Banerjee's turnaround team. For instance, in a bid to rationalise manpower the company has offered a golden handshake to its employees. So far, only 40 out of a total staff strength of 1,850 — of whom 210 are officers — have opted for the voluntary retirement scheme. Explains Banerjee: "To overcome the problem of excess manpower, BCPL has turned to the redeployment and retraining of its personnel." He expects to reduce the staff strength by 300 in three years' time (i.e. by 1990).

"Our marketing strategy is also undergoing a sea change in areas like heavy chemicals, pharmaceuticals and home products," adds Banerjee. Special attention is being paid to the improvement of the performance of the two more profitable divisions, *viz.* pharmaceuticals and home products. "Production of intravenous serum has been more than doubled from 22,000 phials last year to 50,000 phials this year. Besides, given the goodwill that our phenyl, napthalene balls and Cantharidine hair oil product lines enjoy, we expect them to capture larger market shares in the current year," says an optimistic Banerjee.

Better days ahead. BCPL achieved a sales turnover of Rs. 12.5 crores in the year ended 31st March 1988. Though this was much below the break-even level, it signalled a 16% rise over the previous year. According to Banerjee, if this trend continues, then BCPL will "certainly see better days" by 1989-90.

BENGAL CHEMICALS' SULPHURIC ACID PLANT. INSET: BANERJEE

The sales target set for 1988-89 is Rs. 18.5 crores.

He admits, though, that the crux of the company's problems lie in the shortage of working capital. Right now, BCPL's four units at Calcutta, Bombay, Kanpur and Panihati are running at only 50% of capacity. Not surprisingly, the company is making a cash loss of Rs. 3.2 crores a year. "We hope to reach the break-even point on a sales turnover of Rs. 25 crores by 1990," says Banerjee.

Will one of India's pioneering *swadeshi* companies come back into the black? With the government having given Banerjee's professional team a free hand, there are chances that this relic of India's nationalist movement will survive to see the 21st century.

■ *Ashoke Laha*

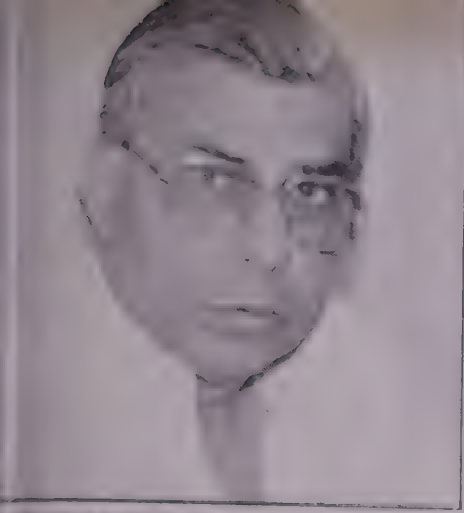
THE RIGHT MOVES, PRECISELY

Maini Precision is the talk of the town.

Sudarshan K. Maini is a familiar figure on Bangalore's cocktail circuit. But that's not why he's been in the news. It's because the performance of Maini Precision Products Pvt. Ltd. — of which he is the founder-chairman — is making waves.

Maini Precision, a small-scale outfit, manufactures a range of precision components for the engineering industry. Products include laping mandrels, dowel pins, capstan parts and specialised machinery parts such as shafts and bushes. The company is an export-oriented firm and has done well enough in its category to merit a regional special shield from the Engineering Export Promotion Council for two years in succession — 1984-85 and 1985-86 — and is tipped for a hat-trick.

Maini Precision started out as an ancillary unit of Mico in 1973. In fact, Sudarshan, a mechanical engineering graduate of Benaras Hindu University and trained in the UK where he went on a Loughborough Burmah Shell scholarship, worked as general production manager in Mico until 1973. Incidentally, he was the first Indian to hold the post. Then the entrepreneurial bug bit him and he quit Mico, but with its assistance he and his wife Reva set up Maini Precision essentially for the manufacture and supply of mandrels and tools. Today, Maini Precision boasts four factories, over 250 employees, and a sales turnover of Rs.



AINI: IN THE RIGHT CIRCUITS

12 crores (year ended 31st May 87).

After 1982, Sudarshan started looking at export markets, prompted — as e puts it — by delays in getting payents on supplies made to domestic ustomers. The lower labour costs in dia were another consideration, for e manufacture of precision engineerg parts is a labour-intensive process d therefore expensive in the West. nat Sudarshan made the right move n be gauged from the fact that exports Maini Precision have climbed from . 5 lakhs out of a turnover of Rs. 53 khs in 1982-83 to Rs. 82 lakhs out of les of Rs. 1.12 crores in 1986-87.

neap, yet profitable. Maini Precion's main customers are in West Gerany, France, Turkey and Denmark. darshan's analysis is that the market tential for Indian precision engineerg products in western Europe and the S is tremendous but no systematic ort is being made to tap it. He himlf has no problems selling in Europe the simple reason that he offers his oducts 15%-20% cheaper than local anufacturers — and still makes a pro-

Nevertheless, Maini is not happy th the way the exports of Indian preion parts are being promoted. He ould, for instance, like precision mponents to be considered an export egory by themselves. Also, exporters ould be given a subsidy for airighting samples, and importers ould be allowed to pay directly for nples and trial orders rather than en letters of credit — a cumbersome ocedure that turns away many a ospective overseas customer. Also, ims under the international price mbursement scheme (IPRS) scheme ould be quickly settled by the EEPC.

Exporters of precision components e some peculiar problems but the ernment has not really bothered to kle them. If a separate panel is created in the EEPC to at least assess the market potential for Indian precision components abroad and the manner of tapping it, it should not be difficult to achieve exports valued at Rs. 5,000 crores by 1991," says Maini.

In the 10 months of its current financial year, Maini Precision has notched up sales of Rs. 1.7 crores, of which Rs. 1.4 crores is by way of exports. The firm is in the process of setting up a sophisticated inspection facility in Bommasandra for testing all raw materials and finished products. It is expected to be operational by the end of this year. Significantly, the Exim Bank sanctioned Maini Precision a grant of over $50,000 in December last year for export promotion.

Maini Precision is not the only firm Sudarshan is associated with. He is the founder-chairman of Bangalore Commercial Corporation, a partnership concern involved in the import of granite machinery and consumables, and of Maini Materials Movement Pvt. Ltd., which manufactures in-plant material handling equipment with Danish collaboration. Other companies in the Maini group offer industrial consultancy and manufacture abrasives, fuel filters and battery chargers.

Obviously, there are many facets to Sudarshan Maini and the one he cares to reveal in Bangalore's social circles is but one of them.

■ *N. Raghavan*

THE NEW COMPATIBLES

PCS and Cullinet link up for software exports.

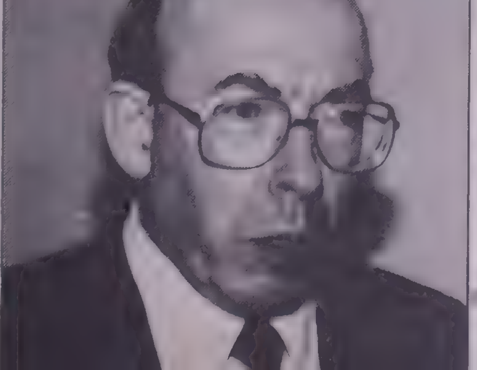
"For companies like ours, India offers more than just a market. You have a pool of skilled manpower, and a government that wants exports. So, we decided to take advantage of these two factors."

That is Howard Haythornthwaite, vice president of the US-based Cullinet Software Inc., speaking. And the route his company, which has annual sales of $250 million, has chosen to tap the Indian potential, is to team up with Patni Computer Systems (PCS) in a venture styled PCS Cullinet (P) Ltd. The prime objective: software exports.

Strictly speaking, they haven't quite formed a team so far. "PCS Cullinet is, at present, a 100%-owned subsidiary of PCS," says Ashok Patni, director of the new company. But a change is on the cards. "In four months, PCS Cullinet will be a joint venture, with Cullinet holding a part of the equity," he adds.

While Patni was reluctant to comment on the stake the American company would take up, save to say that it would match PCS's, he was more explicit about the objectives of PCS Cullinet. "The company will develop software for Cullinet, and the Asian clients of Cullinet," he says. In the first year of operations, the turnover is expected to be $700,000 to $ 1 million, of which about two-thirds will come from Cullinet's clients and the rest from Cullinet itself.

HAYTHORNTHWAITE THROWS HIS WEIGHT BEHIND PCS



Sole distributor. The company also has its eye on the domestic software market. PCS Cullinet will be the sole distributor of Cullinet software in India. This software consists of relational database software (IDMS/R) from IBM and IBM compatible hardware, as well as DEG VAX hardware.

How far these products will sell in the Indian market (whose size is estimated at $ 5-6 million by Patni) is still unclear. As Haythornthwaite explains, this is essentially because packaged database software systems cost quite a packet. Each copy sells for around $ 300,000 (Rs.39 lakhs). This means that the company will have to target its marketing efforts at very large manufacturing establishments (ITI, Bangalore, for instance) or financial institutions. Also, there will be a prolonged sales cycle (18 months) and decisions will have to be made at the board-level. That is why neither PCS nor Cullinet are prepared to count their orders before they are hatched.

■ *Mukul Pandya*

SLUGGISH STATE ENTERPRISES

The *Public Enterprises Survey* brought out by the department of public enterprises makes it abundantly clear that there is something very seriously wrong with the financial health of these units. In 1985-86, out of the 211 central public enterprises studied by the survey, 90 units made losses amounting to Rs. 908 crores. Moreover, the profit after tax of 119 units was a combined Rs. 2,107 crores, of which Rs. 1,651 crores came from the petroleum sector. Hence, the profit after tax of enterprises in sectors other than petroleum amounted to only Rs. 456 crores.

The total capital employed in the 211 enterprises amounted to Rs. 43,096 crores and the rate of return on this capital was 5.1% before tax and 2.8% after tax. Even this figure is not really a correct indicator of the financial performance of public sector enterprises. This is because the balance sheets can be so presented or manipulated as to conceal or distort the true state of affairs. The sordid drama that recently unfolded on the auditing practices adopted by Coal India and Andrew Yule to inflate published profits, should be an eye-opener.

At the level of the states, the most important public enterprises are the state electricity boards (SEBs) and the state road transport corporations (SRTCs). The total capital employed in the SEBs amounted to Rs. 13,534 crores in 1985-86 and together they incurred a loss of Rs. 1,520 crores. As regards the SRTCs, together they made a loss of Rs. 226 crores on a block capital of Rs. 1,882 crores. There are about 800 other smaller state enterprises engaged in manufacturing, commerce, construction and training-cum-production activities. Many of these enterprises are said to be making losses.

RADICAL FLAW

It is not necessary to labour the obvious any more. Something is radically wrong with the public sector and it urgently needs to be set right. If the role of the public sector was marginal, we could have lived with its poor performance, but by 1985-86, 24.9% of the gross domestic product and 38% of the non-agricultural GDP was produced by the public sector.

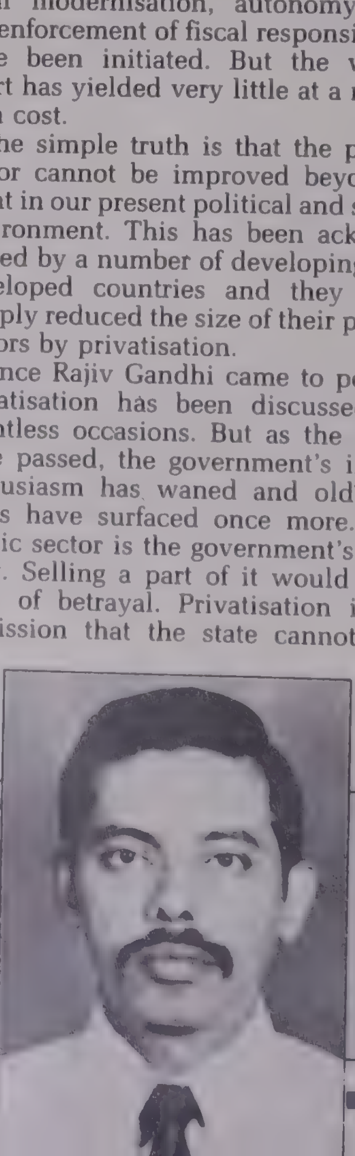
> *Something is radically wrong with the public sector and it urgently needs to be set right*

In retrospect, it seems clear that the public sector has over-extended itself. Attempts to log in overtime to finish the work has brought down the level of efficiency. Also, available resources have been spread too thinly all over without any priorities, with the result that essential services have suffered and activities have been poorly funded in several areas.

The government has two alternatives: one, to improve the public sector; and the other, to scrap it or at least reduce its size. During the past few years, efforts have been made to improve the performance of the public sector. Various changes like the introduction of modern management practices, technical modernisation, autonomy and the enforcement of fiscal responsibility have been initiated. But the whole effort has yielded very little at a rather high cost.

The simple truth is that the public sector cannot be improved beyond a point in our present political and social environment. This has been acknowledged by a number of developing and developed countries and they have sharply reduced the size of their public sectors by privatisation.

Since Rajiv Gandhi came to power, privatisation has been discussed on countless occasions. But as the years have passed, the government's initial enthusiasm has waned and old attitudes have surfaced once more. The public sector is the government's own baby. Selling a part of it would be a form of betrayal. Privatisation is an admission that the state cannot run productive enterprises efficiently and must hand them over to the private sector. It is thus the final defeat of "socialism" and of Nehru's ideals.



POLITICAL TRAP

Further, in a strange reversal of logic, the critics of privatisation have argued that since the public sector is doing so badly, no one will buy its enterprises anyway. Why is the government unable to do something, which, it acknowledges, needs to be done? The reason is that it finds itself caught in a political trap. It has long been committed to the building of a mixed economy with a strong socialist bias. It finds it difficult to wriggle out of its commitments without losing credibility and support. Socialist talk, moreover, has populist appeal. At least, this is what politicians believe. They are, therefore, unable to jettison the socialist economy and socialist slogans.

The public sector gives enormous political and economic leverage to the party in power. It gives control over huge financial resources, which can be utilised to reap large political harvests. It helps in showering largesse on party dignitaries and party workers. Workers in public sector enterprises insistently demand that they should continue to be in the public sector. It gives them security without having to work towards greater productivity. It gives the bureaucrats power and opportunities for promotion and the good life. It obviously offers scope for corruption which has now become an intrinsic part of our political, bureaucratic and business culture. A number of large, vocal and powerful social groups would be displeased if bold measures are taken to scrap or at least cut down to size of the public sector. Besides, the benefits that will result from such a step will, however, not be immediately visible.

This, then, is the political trap in which the prime minister and his government are caught. Further, a government which has an eye on the next election would not like to touch the public sector as it may be interpreted as a step against socialism, by which it swears. Unless the government gets out of the political trap, it cannot address itself to the task of breaking out of the economic and fiscal trap.

■ *K.V. Rao*

AUTOMOBILES

CONSOLIDATION MOVES

One reality is growing obvious: with competition becoming tougher in the automotive industry, only the fittest will race ahead. And two companies that seem to be feeling the pinch more than anyone else are the Hyderabad-based Andhra Pradesh Scooters Ltd. (APSL) and Sipani Automobiles of Bangalore — manufacturer of the 850 cc Dolphin car. Both are now negotiating tie-ups with Escorts Ltd., the multi-product engineering company best known for its Rajdoot motorcycles and tractors and its failed bid to manufacture the Citroen 2 CV mini car.

Significantly, in both cases, the initiative has come not from Escorts but the other party. Escorts is considering plans to buy 20%-25% of APSL's equity and a majority shareholding in Sipani Auto. The deals make commercial sense for all concerned.

APSL's scooters, manufactured in collaboration with Piaggio of Italy, have bombed in the market because potential buyers perceived the 100 cc vehicle as one lacking in power: they were apparently too used to seeing the Bajaj 150 cc machines on the roads for years. APSL has carry-forward losses of over Rs. 10 crores, owes depositors another Rs. 10 crores and also has nearly 9,000 unopened CKD kits imported from Piaggio valued again at Rs. 10 crores. The company has, therefore, decided to phase out its 100 cc model and introduce a 125 cc machine instead. It also plans to launch mopeds.

Numerous benefits. A tie-up with Escorts will undoubtedly bring numerous benefits for APSL. Escorts has a network of 700 dealers all over the country selling its motorcycles, it has undoubted expertise and experience in marketing and manufacturing two-wheelers and the Escorts brand name could conceivably give APSL scooters the benefit of easier market acceptance. Besides, such a tie-up will enable the company's management to make peace with the financial institutions and the depositors, to both of whom the company owes money.

Piaggio itself is keen that APSL enter into some kind of a tie-up with Escorts, and its executives have periodically been meeting Escorts chairman H.P. Nanda and his younger son Anil, managing director, to push the idea forward. In a seemingly surprising, but undoubtedly hard-headed move, Piaggio opted to go for a deal with Escorts, overlooking the claims of its other collaborator in India, LML Ltd. (formerly Lohia Machines Ltd.) despite the fact that LML has been far more successful than APSL in selling its scooters. Not surprisingly, both Bajaj Auto and LML are eyeing Piaggio's move for an Escorts tie-up with suspicion. Bajaj Auto's own plans for taking over Scooters India Ltd. (SIL) have now been jeopardised by employee resistance to Rahul Bajaj's plans to halve SIL's staff strength.

For Escorts, the APSL tie-up makes sense because at present it (Escorts) makes only motorcycles (the 175 cc Rajdoot and the 100 cc Yamaha) and is unrepresented in the scooter segment. Scooters not only account for nearly 50% of total two-wheeler sales (motorcycles have only a 20% share), but are also the fastest growing segment of the industry. "We very much want a scooter in our stable," says an Escorts spokesman.

But the company is moving cautiously. It is testing some of the scooters sent by APSL, and may make some changes in the engine — apart from giving the styling a facelift — before it decides to take the plunge. "The problem is that APSL needs lots of funds to get started again, and we've got plenty on our plate. So we have initially offered only a marketing arrangement, and if this succeeds, then we'll go in for something bigger, like equity

AP SCOOTERS' PL 170

SIPANI: CAUTIOUS MOVES

participation," says the spokesman (quoted earlier).

Escorts reckons that since its dealers are already selling 12,000 to 13,000 motorcycles a month, they can additionally sell 2,000 scooters, provided the revamp helps change the image of a "failed product" that has not quite earned a reputation for quality. Escorts doesn't want to risk its reputation in a highly competitive market with such a product.

Marketing tie-up. In the case of Sipani Auto, the loss-making Bangalore-based small car manufacturer is understood to have approached Escorts with an offer to sell the latter a majority stake, with the promoter and chief executive, R.K. Sipani, retaining only 26% for himself. Sipani himself denies that he is planning to hand over control of the company to Escorts and claims that all he is seeking is a tie-up for marketing and technical support. "There's hardly any need for me to sell my stake in Sipani Auto considering that the Union government is not issuing any new licences for passenger cars," he told *BusinessWorld*.

According to Sipani, a rehabilitation package for Sipani Auto has been put together by the banks and financial institutions. The package is essential because Sipani Auto is far from being in the pink of health and financial results for the last year (sales turnover: Rs. 1 crore) were particularly disastrous. Currently, monthly production is still a mere 100 cars against the installed capacity of 250 vehicles. The Sipani car is priced far lower than its main competitor, the Maruti 800.

MONTANA, A FOUR-DOOR VERSION OF THE DOLPHIN CAR

For Escorts, whether the tie-up is financial or limited to marketing support, the Sipani connection is a potentially attractive proposition since its own bid to manufacture the French Citroen 2 CV mini car has been all but rejected by the government. (The proposal has neither been withdrawn by the company nor formally rejected by the government, but with the car plant itself having been shifted from France to Portugal, the chances of the project materialising now appear extremely r mote.) Says an Escorts official: "Wh attracted us was that the Dolphin has good engine, a good body and suspe sion design. Although the company weak in finance and lacking in e gineering depth, we can easily provi these inputs. One other advantage that the Dolphin's fibreglass bo makes possible a variety of models."

Heavy investments. Escorts is awa that with its modest manufacturi facilities, Sipani Auto is ill-equipped meet the demands of a market domi ated by Maruti Udyog. Heavy inves ments will be needed to revamp it, f which the company intends to condu a detailed study. Despite his offici disclaimers, Sipani and the financi institutions are believed to be still kee on Escorts taking up an equity stake o the ground that this is the surest way bailing the company out.

And in many ways, for both APS and Sipani Auto, Escorts (1987 sale Rs. 482 crores) may be the best bet they are looking for a saviour. Th company posted profits of Rs. 12.6 crores in 1987, has reserves of Rs. 91.4 crores and its sales of 113,566 motorc cles in 1987 gave it a hefty 40% share the market. Its motorcycle sales growt of 15.4% last year was far ahead of th remaining eight motorcycle unit growth rate (6%). Its 175 cc Rajdoot also the country's largest sellin motorcycle (1987 sales: 74,00 machines).

The funds-flush company had draw up plans in 1986 to invest Rs. 17 crores by 1990 in a range of modernis tion and diversification programme electronic telephone exchange sy tems, road construction machiner automotive suspension systems, tra tors, motorcycles, leasing, seed proce sing, machinery for food packagin petrochemicals and electro-medic equipment. Escorts invested Rs. 1 crores last year in new capital equi ment and technology, and even heavie investments are planned over the ne three years.

That means, the company ma already have too many things on it plate. Still, APSL and Sipani Auto mobiles are tempting prizes. Manage ment participation in both will mea fulfilment of two of Escorts long-hel dreams: to get into scooters and cars.

If Escorts does ultimately make thos dreams come true, it will be one ste towards greater consolidation in th fragmented automotive sector.

■ *Rajiv Shirali*

KERALA

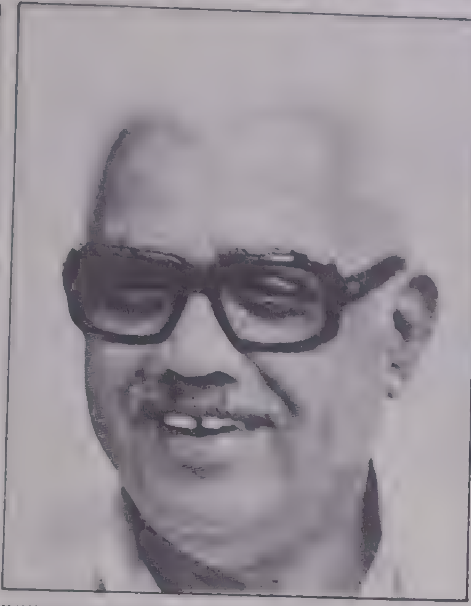
WOOING INDUSTRY

Suddenly, the message is coming loud and clear. The private sector is welcome in Kerala, the only other Left-ruled state in the country apart from West Bengal. Chief minister E.K. Nayanar no longer hesitates to say that "we welcome private capital." His finance minister and trade union leader, V. Vishwanatha Menon, now has less sympathy for obstructive unionism. "Workers should realise that their survival is closely linked to the survival of industries," he advises militants. And his industries minister K.R. Gouri thinks nothing of flying all the way to Delhi to coax industrialist Aditya Birla to reopen his flagship company, Grasim Industries' unit in Mavoor (Calicut district). The obvious conclusion: Mohammed is willing to go to the mountain, ideological hang-ups notwithstanding.

This attitudinal change hasn't come too soon for a state in which unemployment has been soaring. Every 10th unemployed Indian is a Keralite even though the state's population is a mere 3.7% of the country's total. In absolute terms, the total number of job-seekers on the live registers of employment exchanges in the state was a staggering 3 million in 1987.

If the state government had had its way, its preferred option would have been to expand the public sector and soak up some of the idle manpower in the state. Considering the fact that prising money away from a tight-fisted Central government is always a tough proposition, especially for a non-Congress state government, the preferred option becomes, in practice, a non-option. And since the state government does not have the wherewithal to bankroll major industrial projects all by itself, the only untapped possibility is the private sector.

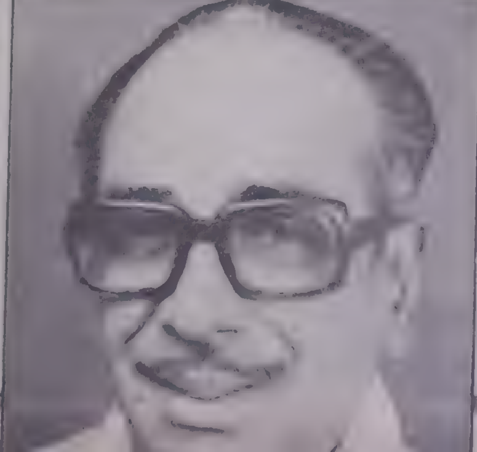
Welcome mats. Not surprisingly, welcome mats have been spread out for private sector industrialists. Says chief minister Nayanar: "We want the state to be industrialised. And for this we welcome private capital." The only rider he adds to this is that "there should be fair wages and fair profits."


NAYANAR: WELCOMING PRIVATE CAPITAL

Fair enough. And industrialists have been quick to applaud. K.A. Mathew, managing director of O.E.N India Ltd., Cochin, has hailed the state government's initiatives to encourage industry in the state. K. Janardhana Pillai, a leading cashew cultivator and chairman of the South India Cashew Manufacturers' Association, also has words of praise on his lips. "I welcome the Nayanar government's earnest efforts to industrialise the state," he says, and adds: "There is now a more managerial climate for industrial investment in the state."

If despite the warm words not many major project proposals have materialised, there are two reasons for it: industrial culture and work culture. Or, rather, the lack of either of them. Says K. Mohanachandran, chairman of the Kerala State Industrial Development Corporation (KSIDC) who also doubles as industries secretary: "We want private capital in a big way and also people who are experienced in managing industries. But very few come forward to set up industrial ventures involving investments of Rs. 50 lakhs or more." Despite the best efforts of the KSIDC, local capital has stayed shy of commitments. "I think, this may probably be because we lack an industrial culture," he muses.

MENON: RETHINKING ON WORKERS' ROLE



There is money, but little entrepreneurship. For example, lots of Keralites made pots of money in the Gulf boom, but very little of the loot was invested in big industrial projects. According to Mohanachandran, nearly 80% of the enquiries received from Gulf Keralites were for starting small-scale industries. "They probably are afraid of making big investments because they think the risk will be high," he says.

Labour obstructionism. If the state lacks an industrial culture, its work culture scares even the few who may be willing to put up industries in the state. Entrepreneurs have to put up with labour obstructionism at every stage. Employers get little freedom to select their own workforce because of pressure from "local committees" and small-time, middle-rung politicians. A Keralite industrialist with considerable interests in Bombay is believed to have declined to invest in the state unless he was allowed to employ workers of his choice. Ironical though it may seem, in a state which has an army of unemployed youth, many jobs which are looking for the right persons are going abegging.

Slowly, however, a realisation is dawning that labour militancy can act as a roadblock to the state's industrial aspirations. Finance minister and Marxist trade union leader V. Viswanatha Menon makes no secret of his views in this regard. "Trade union leaders tend to forget the vital problems confronting industries by confining themselves only to the fight for the workers' cause," he said recently. Referring to the huge losses incurred by several public sector industries in the state, he said there was an urgent need for some rethinking on the role of workers in making industrial units profitable. "Workers should realise that their survival is closely linked to the survival of the industries," he remarked. Though Menon was mainly referring to workers in the public sector, the sentiments are widely applicable to the private sector also

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Says Pillai (quoted earlier): "What discourages many entrepreneurs is the delay in settling industrial disputes and the attitudes of officials at various levels. Pillai feels that wage rates in Kerala are comparatively very high, especially if productivity is taken into account. Private capital investment would be attracted to Kerala provided labour behaves with a sense of responsibility.

M.R. Narayanan, managing director of Transmatic Systems Ltd., a company promoted to manufacture computers, telex interfaces, modems and facsimile, sees a different kind of problem. "My experience has been that the KSIDC was quick in the appraisal of our projects and in sanctioning term loans. But if new industries are to come up in the private sector, the incentives and subsidies offered must be better than what the other states give." According to him, during the last one year hardly few medium or large-scale industries have been set up in the state.

PILLAI: MANAGERIAL CLIMATE

Exorbitant demands. P. Krishnan, an industrialist and former vice-president of the Trivandrum Chamber of Commerce, is of the view that no matter what incentives are offered to attract private capital, very few may actually come forward to set up units in the state. "Actually, people from here are planning investments in Tamil Nadu and Karnataka, where the climate is more congenial. There are no hard and fast rules on minimum wages, and the laws are less rigid than in Kerala. There are few inter-union rivalries among labour which lead to unreasonable demands that the employer cannot meet." Even for simple operations such as the loading or unloading of lorries, the industrialist in Kerala has to pay through his nose to meet the exorbitant demands of militant headload workers. "Who will then take the risk of investing in Kerala?" asks Krishnan.

Actually, there have been quite a few intrepid souls who have taken the plunge. V.R. Menon, executive director (projects) of the KSIDC, says that in the last one year his organisation has disbursed over Rs. 10 crores to entrepreneurs. "KSIDC has been able to maintain its level of operations in spite of adverse circumstances arising from power cuts and the consequent difficulties on the power front. About 15 projects having a total investment of about Rs. 28 crores have been completed. About 10 projects with a total investment of about Rs. 16 crores have been taken up for implementation," says Menon.

"While there has been a certain amount of diffidence on the part of prospective entrepreneurs in making investments, mainly because of the power situation, KSIDC has been able to identify suitable private copromoters for specific projects. This is indicated by the fact that KSIDC was able to enter into 17 memoranda of understanding during 1987-88 (as against 16 in the previous year) for the development and implementation of specific new projects with different private parties.

That's an encouraging sign, no doubt, but if Kerala is to make it to the big league in the industrial sphere, it is the problems posed by labour militancy that need addressing.

■ *G.S. Kartha*

COMPANIES

A PHOENIX RISES

Even Indian industry is capable of delivering tailor-made miracles sometimes. On 9th January 1988, the dryer unit of the acrylic staple fibre manufacturing plant of JK Synthetics Ltd. in Kota was gutted to complete destruction and the already beleaguered company got yet another jolt. The consensus among industry and media pundits was that the Kota plant would remain idle for at least nine months or so.

They were wrong. The plant was back in action, less than three months after the fire. Says Ramapati Singhania, wholetime director of JK Synthetics: "JK has always risen to the occasion when the odds are overwhelming."

The odds did seem overwhelming sometime back. So were the losses. Plant, machinery and materials — all were destroyed. Conservative estimates put the asset loss at Rs. 5 crores and profit loss at Rs. 7.5 crores. Moreover, a new dryer — a critical component in any yarn plant — had to be imported, which meant a minimum time-lag of 6-8 months. To add to this brimming cup of troubles, the entire plant had to be reconstructed.

For an already flagging company, this could perhaps have been a morale shattering blow. The company incurred a loss of Rs. 2.43 crores in 1986-87, a sharp comedown from the healthy Rs. 4.85 crores of profits earned the year before. Recovery was imperative, but the fire gutted all such plans. And industry monitors — even before the fire — were of the opinion that recovery would be a tough proposition in 1987-88.

> ***"JK has always risen to the occasion when the odds are overwhelming"***

Determined action. Yet, by April, with the recommissioning of the Kota plant, JK Synthetics has bounced back into the reckoning. How was this achieved? According to F.C. Rustagi, president of JK Synthetics, the miracle was the result of "determined action." And, of course, luck. First, the replacement of the destroyed equipment did not prove so difficult. "We lifted the equipment from our new acrylic staple fibre plant at Jhalacoar (Rajasthan), which is still under construction, and installed it at Kota," says Rustagi. Government clearances materialised in a jiffy apparently. JK skirted the import problem even more imaginatively. It reconstructed the dryer on its own.

To cap it all, the company has already received interim financial relief of Rs. 2.45 crores by way of insurance. And officials are hopeful of an early settlement of the insurance claims. So, when a group of news hounds was ferried across to Kota to witness the miracle, it seemed as if JK had won the race against time — for the time being.

One fact which stuck out a mile was the frequency with which the Kota plant seemed to be plagued by natural disasters. The 9th January fire, for example, was preceded by two other blows, both of which led to considerable losses: an unprecedented flash flood at Kota in July 1986, and another major fire in September 1987. Quips Rustagi: "All were God-made. What was man-made was the smoothness of recovery."

In the near future, however, the company may need all its "man-made" abilities to recover fast in view of the tough operating conditions ahead. Currently, the most profitable product of the Kota plant is nylon tyre cord. With the tyre industry, the end-user of nylon tyre cord, itself coming under pressure, demand for the product may weaken. As for the company's other products — partially-oriented yarn (POY) and polyester staple fibre — the market is not quite robust.

JK

MEMBER J.K. ORGANISATION

Long-term significance. Singhania pooh-poohs such fears. "With the budgetary concessions the synthetic yarn industry's performance will definitely improve. More important, yarn as a product has long-term significance. In the nineties, our faith in the product will be justified as cotton gives way to synthetics."

According to Singhania, the Kota plant will improve profitability by going in for speciality yarns — high value-added high-profit products. But then, Orkay Silk Mills has also been spinning 'speciality yarns' since the past two years and the higher profitability has yet to filter through to the bottomline.

Clued-in monitors say that at the Kota unit, almost 25% of the POY produced comprises speciality yarn. A healthy percentage, and Singhania's optimism could probably be justified. But, at least as far as the year 1987-88 is concerned, the higher margins on POY are unlikely to have a telling effect on profits. When asked about the likely results for the year ended 31st March 1988, all Singhania was willing to say was a non-committal: "It will be better than last year's." Since 1986-87 wasn't exactly a year of super performance, that's not saying much.

■ *Sutanu Guru*

BUDGET CONCESSIONS

SOPS FOR THE MARKET

ACT ONE, SCENE ONE: Union finance minister N.D. Tiwari, living up to his old-guard image, unveils a supposedly pro-farmer budget with a few sops for industry. The stockmarkets respond badly, and industry itself feels quite let down.

ACT ONE, SCENE TWO: A few weeks later, wearing another costume, Tiwari, the commerce minister, presents a fairly liberal export-import policy which industry warms to. And the pressure on the government to yield a little bit more begins to build up.

ACT ONE, SCENE THREE: Fresh from yet another path-breaking AICC(I) session, Tiwari, back to being finance minister, decides to ride his luck. Along with more excise and customs reliefs, Tiwari announces the return of the investment allowance. Industry circles are jubilant and the stockmarkets take off once more. And the sum total of the economic policy suddenly looks just as it did last year.

It is perhaps unprecedented; unexpected it certainly was. Just as industry seemed reconciled to its fate, the rules of the game have once again been changed. The moving of the Finance Bill, 1988, was expected to be a purely ritualistic affair. Never have major concessions or policy prescriptions followed so soon after the tabling of the Union budget. But this time, a symbolic gesture of breaking with the past has been made. Much to industry's surprise.

BHASIN: ASKING FOR MORE

Turning point. Breaking the monotony of the Lok Sabha one hot afternoon last fortnight, Tiwari announced, "I also propose to reintroduce the investment allowance scheme for selected high priority industries in which investment has to be encouraged." This has thrilled industry to the bone. As Brijmohan Lall Munjal, president of the Confederation of Engineering Industry, says, "It has brought cheer to industry and the stockmarket." True, because the same day (27th April) the Bombay stock exchange's sensitive index of 25 scrips boomed by 18 points! Throughout the week, scrips all over the country moved up as a direct result of Tiwari's thunderbolt. The bears were running for cover. And Ficci chief Rohit Mehta was confident that it marked a turning point. "It will stimulate investment and help revive the stockmarkets," he said. For once, it seemed, Dame Luck had smiled on big business.

The magic of s.32A (which deals with this scheme) cannot be denied. In one form or the other — development rebate, initial depreciation, or investment allowance itself — this facility had been available for more than 30 years before it was done away with. In principle, the scheme allows for the deduction of a certain percentage of a company's investment in new plant and machinery from profits prior to tax. In other words, a company earning a profit of Rs. 10 crores would not have to pay any corporate tax if it had invested at least Rs. 50 crores in fresh assets. That is the bottomline of investment allowance.

All along, it has been industry's contention that the spectacular growth spurt of the first half of the eighties was possible mainly because of the availability of investment allowance. According to taxation experts, the correlation between additional investments made and taxable profits ensured that most companies would have an adequate cash flow to finance their projects. By allowing the amount to be carried forward for eight years at a maximum, a cycle of growth and modernisation had been set into motion. The phenomenal track record of the so-called "zero tax" companies amply bore out this hypothesis.

Constitutional breach. The removal of the investment allowance scheme was the handiwork of none other than former finance minister V.P. Singh. Despite being the architect of the liberalisation drive, it was he who, in the long term fiscal policy document of 1985, casually tossed this bombshell. Even so, industry did not take this threat seriously enough as under the Income Tax Act itself, a three-year period of notice was necessary before it could be scrapped. But Singh, who genuinely believed that the scheme was faulty, was determined to have his way. The law was amended, subsections waived and by April 1987, the scheme had been dispensed with. "It was a constitutional breach of trust on the part of the government," was the way Nani Palkhivala put it. Indian industry has never forgiven Singh for this.

Seen thus, it stands to reason that N.D. Tiwari would like to be known as the man who restored industry's pet incentive. With the Congress(I) obviously gearing up for the next general elections, the time had come to soothe the ruffled feathers of industry. Even within the government, it was widely believed that unless the investment allowance was reintroduced, the stockmarkets would never pick up. Among those who lobbied for the reintroduction of the investment allowance were finance secretary S. Venkitaramanan and IDBI chief S.S. Nadkarni.

V.P. SINGH: POLICY REVERSES

If the grapevine is to be believed, a major revamp of the industrial policy is on the cards and it was thought best to use investment allowance as a tool to lever industry into the proper frame of mind to respond to it. "Actually, it all seems to depend on which side of the bed N.D. Tiwari gets up from each day," was how one captain of industry saw it. Which probably is the best explanation in the current policy milieu.

"It is belated but welcome. Yet, it is half-hearted," says Harish Bhasin, the capital's favourite stockbroker who takes umbrage at the fact that not all of industry will be eligible for the scheme. Although the list of so-called high priority industries is ready, there has been a delay in its announcement. Informed guessing sees the steel, cement, fertiliser, petrochemical and electronic sectors as being obvious choices. And a senior bureaucrat in the ministry of finance confesses, "It is going to be an across-the-board kind of choice. We do not want to make it restrictive." Under the new dispensation, a company can choose between the investment allowance scheme and the IDBI deposits scheme but will have to stick to any one for a period of five years. Clearly, good times are back.

Pragmatic as the reintroduction of the investment allowance is, there is still the aura of grandstanding as far as the timing of its reintroduction is concerned

Fine-tuning concessions. Most of the other concessions announced are little more than fine tuning. For example, computer software has finally been exempted from central excise. Similarly, exporters will actually enjoy complete exemption on profits with the minimum tax provision (s.115J) being suitably amended. A new focus on tourism by extending the benefits of s.80HHC (exemption from tax on profits from exports) to hotels and tour operators has also been mooted. Slowly, tourism is beginning to gain the status of an industry. For example, 80CC benefits will also be extended to fresh equity issues of tourism-related entities. Elsewhere, the broad thrust of the budget remains as before.

By now it is clear that all the efforts made by the government to introduce presumptive taxation have been resisted. As Nani Palkhivala recently said, "it may be doubted whether the limit of nonsense reached in s.44AC has ever been surpassed." So the finance minister has had to back-pedal. Indeed, as the pressure from the state mounts, the whole notion may just be given up as a bad case.

As ever, it is a tale that has ended with a twist. Almost Rs. 40 crores more of concessions have been given away despite there being virtually nothing left in the kitty. Pragmatic as the reintroduction of the investment allowance is, there is still the aura of grandstanding as far as the timing of its reintroduction is concerned. But the government has finally shot off its last bolt. The onus is now on industry to put its best foot forward. No one can look a gift horse in the mouth, particularly Indian big business.

■ *Anand P. Raman*

INFLATION, AGAIN

Inflation is rearing its ugly head again, according to the annual report of the ministry of finance for 1987-88.

The ministry holds poor weather conditions responsible for the upsurge in inflation. The drought led to a shortage of some essential agro-based commodities due to which prices came under pressure. The report points out that the rate of inflation (10.2%) has not been as high this year as in earlier drought years.

However, according to the report, the performance of industry has been fairly satisfactory during April-December 1987. The industrial sector achieved a higher growth rate of 9.7% *cf.* 8.5% to 9% achieved in the corresponding period in the previous three years. Agricultural production declined to 144 million tonnes in 1986-87 compared to 151 million tonnes in 1985-86, due to scanty rainfall, the report points out.

BIG COs. CAN ENTER SMALL SECTOR

A Union cabinet decree now permits big industrial houses to venture into the small-scale sector. However, the permission is conditional. First, big houses which desire to enter areas reserved for the small-scale sector should manufacture high technology products; and second, they should export 60% of their output.

Permission to set up capacity to manufacture high-tech products — including bicycles, sports goods and industrial fasteners — will be decided on a case-by-case basis. Also, letters of intent will be converted into industrial licences only after ancillarisation programmes are worked out to the full satisfaction of the government.

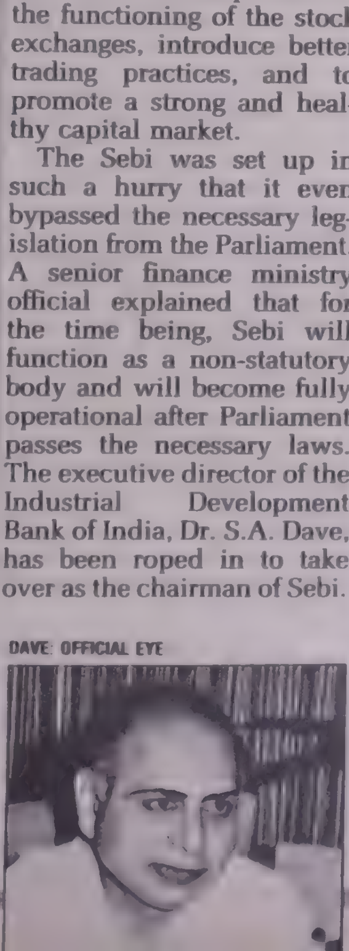
One of the reasons for the government's change of heart is that small units, hampered by financial and marketing problems, find it difficult to manufacture high-tech goods at competitive prices, while there are fast-changing demand patterns abroad. For example, in India, wooden tennis racquets are still being manufactured, while the demand abroad is for racquets made of graphite fibre. Similarly, lightweight bicycles made of aluminium alloys or plastics are preferred to the Indian-made ones using steel. Manufacture of such products needs a large capital base, which only MRTP companies can provide.

SEBI SET UP

Now, an 'official eye' will be kept on the stock-markets. A new board, styled the Securities and Exchange Board of India (Sebi) has been constituted to do just that — to keep a tab on the functioning of the stock exchanges, introduce better trading practices, and to promote a strong and healthy capital market.

The Sebi was set up in such a hurry that it even bypassed the necessary legislation from the Parliament. A senior finance ministry official explained that for the time being, Sebi will function as a non-statutory body and will become fully operational after Parliament passes the necessary laws. The executive director of the Industrial Development Bank of India, Dr. S.A. Dave, has been roped in to take over as the chairman of Sebi.

DAVE: OFFICIAL EYE



BIDDING FOR LICENCES?

The Union government is scrutinising a proposal by the Bureau of Industrial Costs and Prices (BICP), which could transform licensing procedures in the 'informatics sector'.

The bids — to be submitted within a specific time — should be invited in two phases. In the first phase, the technological capability of the bidding companies should be tested, and the best ones short-listed. Secondly, these bidders should be asked how much tariff protection they would need against foreign competition. The licence should go to the company which seeks the least protection.

BICP believes that if this licensing procedure is adopted, the "international competitiveness" of the informatics sector could be ensured from the beginning.

BAILING OUT SHIPYARDS

A salvage operation in the shape of a relief package has been launched for the shipbuilding industry which has practically run aground.

One reason for the recession in shipbuilding is the relaxation of the *pari passu* obligation, under which Indian shipping companies are required to buy one vessel from an indigenous yard for every vessel purchased from abroad.

Over the years, the *pari passu* obligation has not been seriously adhered to for many reasons. The Indian shipyards took a very long time to execute orders, and raw materials such as steel were very expensive. Further, the deep recession in the international freight markets affected the ability of Indian shipping companies to acquire additional tonnage.

The components of the government's rescue package have not been clearly spelt out. Most probably, the measures announced will provide cheap credit for the shipyards, to permit cost-effective operations. Small shipyards are likely to come in for more generous concessions.

SHARE TRANSFER NORMS SIMPLIFIED

In a hurry to sell your shares? You can do so now minus a lot of hassle. The finance ministry has agreed to the Bansal Committee's recommendations to simplify the procedure for the transfer of shares.

The relevant rules are being modified to simplify and improve the share transfer form prescribed under the Companies Act, 1956. One of the rules that has been amended pertains to investors in the semi-urban and rural areas. To help them, the list of people authorised to attest signature differences of the transferors of securities has been widened. Now, this list includes members of the stock exchanges through whom the shares are sold as well as the manager of the transferor's bank.

In addition, according to G.B. Desai, president of the Bombay Stock Exchange (BSE), the governing board of the BSE will shortly approach the finance ministry for the early implementation of the second part of phase two of the Dave Committee recommendations. The governing board of BSE intends to initiate free trading conditions by increasing the carryover business limitations for individual stockbrokers from the current Rs. 25 lakhs to Rs. 50 lakhs.

HOW TO TACKLE OVERSTAFFING

Overstaffing is the bane of Indian companies. The chief executive of a blue chip company recently said his organisation was overstaffed to the extent of 25%. For quite a few companies in the public sector, this percentage is even higher. A story doing the rounds in public sector circles makes this point very well.

The chief executive of a public sector organisation, the story goes, was worried about excess staff in his unit. He appointed an industrial engineer to look into the problem, who started the investigation in right earnest. He asked a clerk what he was doing. "Nothing," was the clerk's reply. He asked a second clerk the same question. "Nothing," was the reply again. The engineer rushed to the chief executive to report that two clerks were doing the same work and one of them was surplus. While the story may be apocryphal, it does make the point that many public sector employees work hard at doing nothing. Undoubtedly, this is also true of many private sector companies.

An Indian manager is brought up in a socio-economic environment where unemployment is a major problem. He has seen many unemployed relatives. He has heard pathetic stories of poverty, which he relates to lack of employment opportunities, and not to lack of enterprise. His approach to employment is very soft. He does not mind a few extra people being recruited here and there. After all, labour is cheap in India, he thinks erroneously. He encourages overstaffing overtly and covertly. He also avoids any harsh steps such as retrenchment to amend matters.

In contrast, there are organisations which have doubled their turnover without adding to their staff. One method of achieving this objective — of controlling numbers in an organisation — is to use cluster specialists.

There are organisations which have doubled their turnover without adding to their staff. One method of achieving this objective — of controlling numbers in an organisation — is to use cluster specialists

CLUSTER SPECIALISTS

A cluster is a group of similar objects which are grouped together either because of heir relation to one another, their association or physical proximity. A cluster specialist is person — white collar, blue collar or pink ollar — who works effectively, at a reasonble technical depth, in a small number of echnologies, crafts or markets which have ne or more unifying relationships.

Traditional specialists and generalists have lear enough connotations. The cluster specialist comes somewhere in between. This 'somewhere' differs from person to person depending on the aptitude of the individual and the need of the organisation. The development of cluster specialists could be an effective way of controlling overstaffing. To further clarify the concept, here are some examples:

- **Workers.** They have become real "specialists" in industry, in the sense that they work on specific machines. Actually, they watch the machine work. All other ancillary activities — cleaning, lubricating, bringing raw materials, etc. — are performed by others. In the scheme of cluster specialists, these workmen would be trained to not only look after the working of two to three machines, but also to perform ancillary functions. This will be resisted by the unions. But this is what companies will have to do to survive in the competitive markets of the future.

Another example.Organisations should develop master mechanics who are capable of trouble-shooting and performing mechanical and electrical tasks required in the installation and adjustment of all equipment. The positions of electrical mechanics and mechanical mechanics would,thus, be merged in individual cluster specialists. This would not only help the company save on costs, but also enrich the mechanic's job, leading to faster career progress.

- **Managers.** The project manager is a good example of a cluster specialist. He is responsible for all aspects of the development of the system, marshalling resources and executing the project. In the field of personnel, a cluster of human resources development and industrial relations functions is the need of the hour. Similarly, the clubbing of the company secretary's job with legal functions in a medium-sized company can be cost effective.

To conclude, Indian managers should take a tougher posture on employment, since unproductive employment is worse than unemployment. The numbers of employees must be effectively controlled to ensure that the organisation remains healthy. One way to control numbers is to identify individuals and develop them as cluster specialists.

There is also a lesson here for individuals trying to plan their careers. They should try to plan their careers as cluster specialists; this will not only permit faster career growth, but also enhance job satisfaction.

- *P.N. Singh*

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CROMPTON GREAVES

THE GROWTH HORIZON

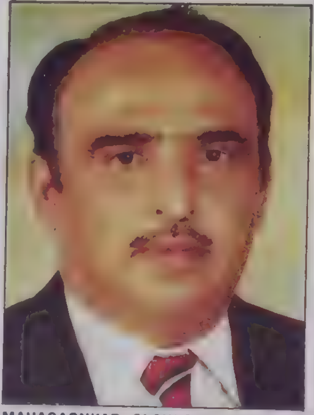
Putting behind memories of a lean patch in the first half of the eighties, Crompton Greaves is striding ahead.

By the mid-eighties, the writing on the wall was crystal clear. The buyers' market was not going to be a passing phenomenon. The company's exposure to semi-bankrupt customers like state electricity boards was far too high. And with the growth rate in sales turnover down to a trot, the wage bulge could no longer be covered up.

The inevitable happened. Profits headed south. From a stratospheric level of Rs. 10.54 crores of pre-tax profits in the year ended 30th June 1981, Crompton Greaves had the mortification of seeing its bottomline plunge to a nadir of Rs. 1.78 crores by 1985.

Other companies, similarly squeezed, decided to consolidate and withhold investment to safeguard proits. Not Crompton Greaves. "We decided not to draw in our horns," observes N.M. Wagle, the non-executive chairman of the company. Even when profits were almost nil, we didn't slow down investment."

The strategy has paid off. In barely wo years, the company has bounced ack into the reckoning. The turnover as jumped 50% to touch Rs. 282 rores in the year to June 1987, and the ompany's chief executive, K.K. Nohria, confidently talks of doubling urnover every four years. "Our broad im is to become a Rs. 2,000 crore comany by the year 2000," he says. Profits oo have perked up by trebling to Rs. 64 crores, from a low base of Rs. 1.78 ores in 1985. Nohria sees this improng even further. "Today we make %-2.5% of profits before tax on ur sales turnover. I think that figure ould improve to 5% in another two



MAHAGAONKAR: SLOW BUT SURE

PATEL: "WE HAVE THE WIDEST RANGE"

DASGUPTA: PROFITS AROUND THE CORNER

WAGLE: INVESTMENT MAINTAINED

years' time and reach 6%-7% after five or six years."

Will they make it?

One place to look for an answer is the immediate past. If the achievements of the last three years are any indication, Crompton Greaves is certainly going places. Places that offer the largest opportunities for growth. Like electronics, both consumer and industrial. Like telecommunications. Like household electrical appliances. Even in its own electricals stronghold, the company is going high-tech to nose ahead of the competition.

The result has been the launch of a clutch of new products with the Crompton Greaves label. In electronics, the company launched its personal computers (PCs) in the market towards the end of last year. As a first step into the field of industrial automation and control, it has begun marketing programmable logic controllers (PLCs), which (among other things) tell machines the sequence and the way in which to carry out operations like cutting and boring metal sheets. In the telecom sector, the company has started hawking both telephone instruments and electronic private automatic branch exchange (EPABX) systems.

Among the more humdrum products, Crompton Greaves has launched soft starters for motors (which save energy) and vacuum circuit-breakers with vacuum interrupter bottles made at its own lab (which is the only one of its kind in India) in Aurangabad.

In the more exciting field of consumer electricals, the company is making itself comfortable at home. Its fans and lights having already found widespread consumer acceptance, Crompton Greaves expects to become more indispensable around the house. It has already launched its food processors and light weight electric irons. A little further down the road, the company proposes to offer its own brand of washing machines, electric toasters and a wider range of heavyweight and steam irons. If all goes well, the company sees itself marketing microwave ovens, audio equipment and even video cassette recorders and players in due course.

OZA: "WE WILL EXPORT TO JAPAN

SURI: AIMING FOR HIGHER PROFITS

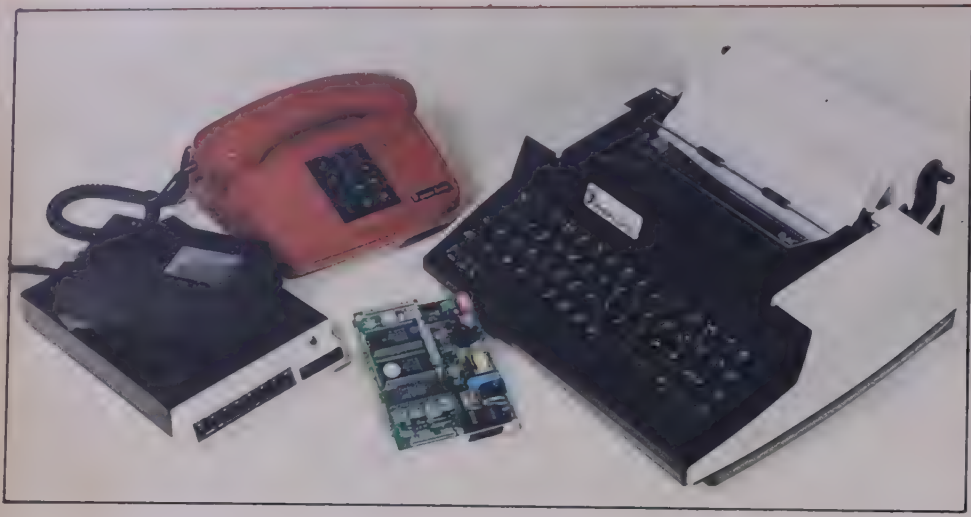
MANI: STRONG DEALER LOYALTIES

CROMPTON'S KANJUR COMPLEX, BOMBAY

NEW THRUST

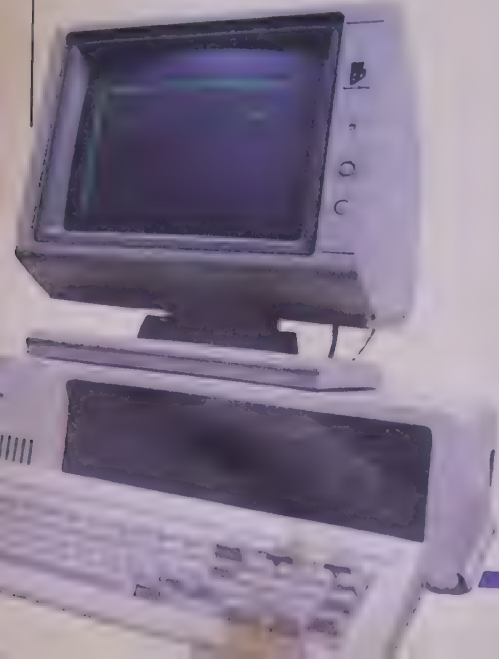
Suddenly, it seems, the staid old maid of yesteryear is turning a real swinger. Nohria explains this new thrust thus: "When I took over, there was a certain amount of feeling as to whether the employees had a future, whether the company had a future. I had to impart a growth perspective, or a new vision, to them that we are entering new areas which assure a reasonable growth for the company and, therefore, there would be reasonable career opportunities for those working for us." (See interview p.44).

So far, so good. But here the question marks begin appearing. Can a manufacturing-driven company successfully make the transition to a point where it will be predominantly market-driven? Can Crompton Greaves adapt to the changes in its customer profile which may now include housewives, among others? Can the company successfully combine quality with the needs of quantity, especially in fields like consumer electronics where volume is the name of the game? And above all, can the Crompton name which launched a thousand electrical gadgets, do the same for the company in the much more crowded fields



electronics and household appliances?

Before trying to see whether Crompton Greaves will arrive at the chosen destination, it may be worthwhile to look at why it has set itself on this course. In the late seventies and the early eighties, the company's management saw itself being pressured on four sides. One side was the small-scale sector, which was gradually carving out a larger share of the lower end of the electricals market. Another was labour. Since the bulk of the company's manufacturing activity was concentrated in the high-wage island of Bombay, costs were escalating fast and squeezing margins. Then there was the fact that the company had to operate under the yoke of the government's restrictive laws. (Crompton Greaves being a Thapar group MRTP company, licences for expansion and new units are not exactly there for the asking.) Topping it all was the cash crunch and demand recession of the early eighties. With the state electricity boards running into liquidity problems, Crompton Greaves discovered that it was getting overdependent on business from the government and public utilities.



The company has responded to the challenge. Its answer to the rising level of competition has been two-fold: vacate some of the lower-end areas and go high-tech in others.

WAGE AGREEMENT

It has also achieved some success in keeping a lid on costs, labour costs in particular. At its peak in 1981-82, the company had as many as 9,851 employees when the overall turnover was just around Rs. 143 crores. Now, even with 1,000 fewer workers, the company has a turnover that's more than twice the 1981 level. Much of this obvious improvement in labour productivity has come about with the active cooperation of labour, which is led by the much-feared Datta Samant. When the company signed its last wage agreement some three years ago, the management worked into it a productivity clause so that work rationalisation measures were not resisted by labour. "I think the union stuck to that (the terms of the agreement) and gave us a 15%-18% increase in productivity," says Nohria, who is hoping that the next wage agreement too will be equally fruitful.

But perhaps the most fruitful of the company's efforts to break out of the low-growth path imposed by the Monopolies & Restrictive Trade Practices Act has been its decision to spread out to backward areas and enter into joint sector projects with state governments.

In the last two years, Crompton Greaves has promoted three such joint ventures, two with the Economic Development Corporation of Goa and one

Kewal Krishan Nohria, president and managing director of Crompton Greaves, practices what an admirer calls, "management by walking around." Rather than ask people at various levels of management to write reports to him, Nohria prefers to meet people in person and tackle their problems on the spot. Not surprisingly, Nohria — a vegetarian, teetotaller and non-smoker — is constantly on the move, jetting across the length and breadth of the country. Taking time off from his busy schedule, Nohria spoke to BusinessWorld at length at his corporate headquarters in Bombay. Excerpts:

- **On Crompton Greaves' performance.**

Our bottomline does not show as good a picture as our internal strength. At one time, some six to seven years ago, we had several divisions making losses. Today we have reduced it to three divisions. I have a fond hope that next year (1988-89) only one division will make a loss.

Our profit position is poor because three divisions eat up Rs. 5-7 crores of our gross profits. By 1989-90, we should have no division making a loss. Then our profitability picture will become respectable.

On the top line, we will end up with a turnover of Rs. 340 crores this year (ending 30th June). In effect, this means we have doubled our turnover in four years (in 1983-84 the turnover was Rs. 172 crores). Logically, therefore, there is no reason why we cannot double our turnover again in the next four years.

- **On the factors behind the company's low profitability in the last couple of years.**

Three factors were responsible for this. The first was a change from a sellers' market to a buyers' one. So the margins came under pressure. Secondly, the payments position of our customers — electricity boards and industry — became difficult. And thirdly, between 1981 and 1984, the growth rate in turnover was very low, say around 2%-3%. Consequently, our expenses on personnel overshot our growth in turnover.

- **On what is being done to correct this.**

We are doing three things. One, we have started a drive to curb costs.

"SUCCESS IN NEW AREAS WILL BE DIFFICULT"

That way we make sure that our terms of trade remain favourable. Two, quality will ensure that our customer loyalty is retained. And three, productivity will ensure that we bring down personnel cost as a percentage of turnover. In my view, if I can increase productivity faster than wages, I am okay. When we signed our wage agreement with Datta Samant, even though the wage increase was high,this was offset by an agreement on productivity. In all fairness to the union, I think they have stuck to that agreement and given us a 15%-18% increase in productivity.

In addition to the productivity clause, we also, for the first time, negotiated a "management charter" with the unions. The idea was that, if some people became redundant because of work rationalisation, then we would undertake their retraining and redeployment. But the workers would not question why some operations were being made redundant.

■ On the company's investment philosophy.

When you plan for growth, you have to see what is the element of leverage you have. When you are not making enough profits you can't afford to take on projects which involve heavy investment. So you go for those with lower investment and, possibly, also lower profits on sales. But if your capital employed is low, the returns are not affected. Our approach has been to maximise returns on capital employed.

■ On whether the new growth areas will be profitable.

Profitability won't be easy. But I believe that the guy who is going to succeed in a competitive environment is the one who can curb costs and give better after-sales service. Today, in India, I do not think we can find an area where competition is minimal. You have to make money in spite of competition.

Success in the new areas will certainly be more difficult. In an area in which you have been operating for 40 years, you have a lead over the others. In the new areas you will have no lead. In telecommunications, we are on par with the others, in computers we are probably lagging behind by three years. But in TVs, others have a lead of eight to 10 years. So in such areas it may take four to five years to earn a place for ourselves in the market.

■ On whether Crompton Greaves is getting into a trading mode.

We are going away from the concept of manufacture within the divisions of Crompton Greaves. Instead, we are promoting joint venture companies (such as the ones in Punjab and Goa) in which we have management and marketing rights.

Even in TVs and household appliances, we won't be strictly traders. The products may be assembled outside, but we will look after the manufacturing ourselves. In household appliances, we will select the designs and control the dies and moulds.

So our trading is not strictly trading. It's a question of how we leverage our limited capital to turnover.

■ On his role as chief executive.

No chief executive can get anything done unless he can make the employees feel committed to the organisation. So my fundamental role is to see that the 9,000 people who work *in* the company start working *for* the company. As for my second role, when I took over there was a certain amount of feeling as to whether the employees had a future, whether the company had a future. Therefore, I had to impart a growth perspective, or a new vision, to them that we are entering new areas which assure a reasonable growth for the company and, therefore, reasonable career opportunities. My third role has to do with our past. For 40-45 years of our total existence of 50 years, Crompton Greaves was in a sellers' market. So most of our people have grown in that environment. One of my roles has been to impress upon them that the environment has changed into a buyers' market.

■ On succession planning.

We have a very deep-rooted practice of grooming a future managing director well in time. The name of the incoming MD is announced 12-18 months in advance. I was supposed to take over from June 1986, but the decision was announced in January the year before.

And now, even though I have five more years to go, my board has begun asking me about the next man. We have been shortlisting four or five people and putting them in positions where we can watch their progress. Every six months or so, this issue is discussed by key members of the board and in due course we expect a consensus to emerge on my successor.

■ On where Crompton Greaves will be by 2000 AD.

Our broad aim is to become a Rs 2,000 crore company by the year 2000. On the bottomline, profits before tax will probably be 5%-6% of sales — that means around Rs. 100 120 crores

WHERE PARALLEL LINES MEET

KULKARNI: PRICING IS A JOINT DECISION

When the erstwhile Janata party government imposed its counterproductive restrictions on managerial remuneration, many companies quickly changed over to the presidential form of management to escape the rigours of these restrictions. Two boards were created — the board of management and the board of directors. Formal authority vests in the latter but real executive power is delegated to the former.

Crompton Greaves too has opted for this system with the only common link between the two boards being K.K. Nohria — who combines in himself the roles of managing director and president.

Organisationally, too, Crompton Greaves can be split into two halves: the manufacturing divisions and the marketing regions. The two run parallel to each other and formally meet only at the level of the company's board of management, headed by Nohria. While the manufacturing divisions are represented on this board by several vice presidents — each representing a wide group of products — the marketing side has only one veep.

Broadly speaking, the manufacturing divisions are the profit centres, whereas the company's four marketing regions (north, south, east and west) are the cost centres. Since the manufacturing and marketing functions appear to be mutually exclusive, management pundits might well wonder how the system works. Or whether it works at all.

Horizontal communication. In Crompton Greaves, it works. For one main reason. Even though the manufacturing and marketing functions seem to be independently administered, in practice there is a great deal of horizontal communication between the divisions and the regions.

RAO: MARKET INTELLIGENCE

"Over and above the marketing of products, the principal responsibilities of the regions are to supply data on what product can be sold and keep the divisions posted about market intelligence and trading conditions," says P.H. Rao, manager of Crompton Greaves' southern region. The divisions, on their part, also play a role in marketing. In the case of all new products, it is the divisions that are responsible for the test marketing and launch. The regions step into their marketing role only after a product is established in the market.

Pricing, however, is by and large a joint decision between the divisions and the regions. "Usually, the divisions want pricing to be on a cost-plus basis whereas the regions want market-oriented pricing policies," says V.S. Kulkarni, general manager of Crompton Greaves' biggest marketing region — the west. "However, ultimately, pricing is a joint decision," he adds.

An interesting aspect about the top-level structure of the board of management is that all the vice presidents have dual roles: as vice presidents they have a corporate responsibility for all the divisions under their charge, but at the same time each vice president is also the general manager of his own sub-division.

The same principle applies to the regions. The vice president (marketing), G.N. Mani, is the general manager of the northern region, but his overall responsibility includes overseeing the functioning of the other regions as well.

with the Punjab State Industrial Development Corporation. While the Punjab venture takes Crompton Greaves to the generating equipment-end of the electricals industry (it will manufacture hydel turbines up to 20 Mw capacity), the Goa units (styled Goa Electricals & Fans Ltd. and Goa Telematics Ltd.) figure at the user-end of the power spectrum. Goa Telematics, expected to go into production in 1989, will manufacture electronic telex machines and modems among other things, and forms a part of the company's high-tech thrust. All these three ventures involve equity participation by Crompton Greaves and full management control.

Besides joint ventures, the company has set up its own telephone instruments manufacturing factory at Pithampur near Indore in Madhya Pradesh and plans further expansion there.

BALANCING BUSINESSES

As far as the overexposure to business with the government and public utilities is concerned, the company has come to the conclusion that this may be unavoidable, but is taking steps to balance this through a diversification of its customer base and by entering new fields. For example, the transformer and switchgear businesses currently account for 25.9% of the company's turnover; by 1992, this exposure is intended to be cut to 19.7%. On the other hand, the sunrise sector of office automation and industrial electronics is projected to contribute 7.4% of turnover from virtually nothing today.

Even in the traditionally strong area of consumer electricals — fans and lighting — which contributed 27.2% of turnover in the year to June 1987, the company expects a shrinkage to 24.3%. The share of consumer electronics and household appliances — a meagre 2.7% in 1987 — will rise to 6.6% of turnover in 1992.

It must be underscored that what is changing is the relative share of various product groups in the total turnover, not the absolute figures. So, it is quite possible that all sectors may see growth, but the faster growing ones may carve up a bigger share of the turnover in due course in line with the management's strategic plans.

The extent to which the company can manage the transition — from being a predominantly electricals giant to a stage where the electricals side will not look so overwhelming — depends largely on how quickly it comes to terms with the market. Chief executive Nohria reckons that his company has some catching-up to do. "In telecommunications we are on a par with the competition, in computers we are probably lagging behind by three years. But in television sets the others have a lead of eight to 10 years," he muses.

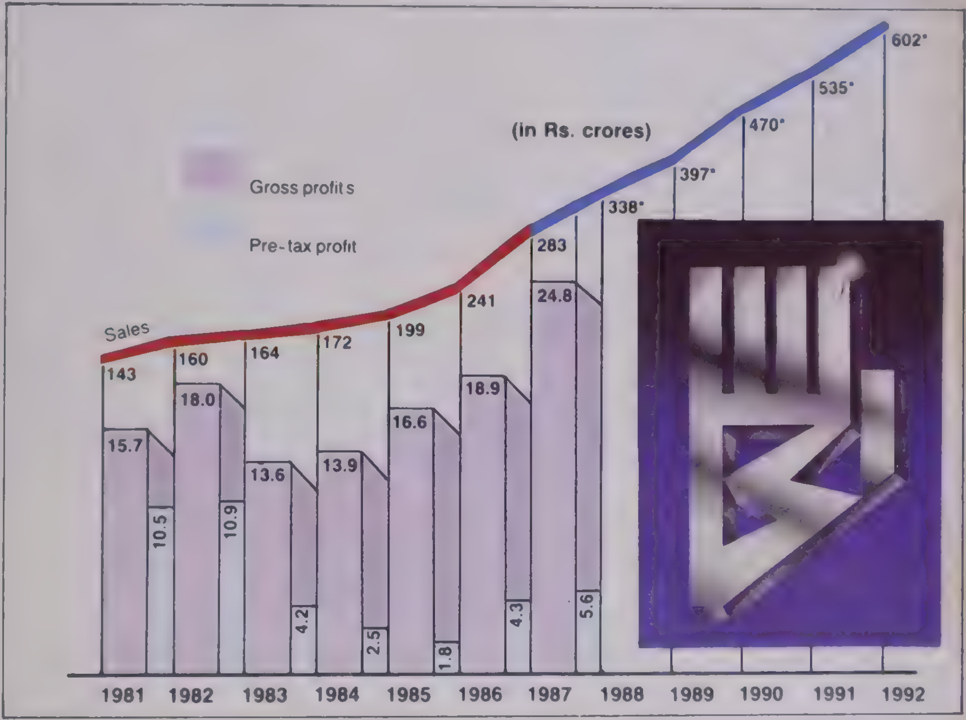
Establishing a strong presence in these highly competitive fields is not going to be easy, but S.V. Mahagaonkar, vice president of the company's consumer products division, is unfazed by the prospect of the coming market scrap. "We were slow," he admits, but "we are sure." The early entrants may have had a head start, but Mahagaonkar feels that Crompton Greaves has the necessary staying power. Besides, not all the early birds may be around five years hence. "There was one company that went into the manufacture of television sets early, but it packed up in two years. What happens to those who bought that company's TVs?" he asks rhetorically, implying that Crompton Greaves won't ditch its customers.

Mahagaonkar also believes that by zealously guarding quality, the company can overcome the handicap of being late in the market. "In table fans, which we entered only in the seventies, we're brand leaders today," he points out to buttress his contention. Adds Sudhir Kapoor, general manager of the consumer electronics and household appliances segment of the consumer products division: "We went into TVs two years ago. Despite some teething troubles, we have now stabilised."

WIDEST RANGE

And, apparently, the Crompton Greaves name matters. After earlier toying with the idea of creating a separate brand image (styled Hometech), the strategy has changed to one where the Crompton Greaves name will be the prime identity tag. "Our product is an expensive durable, so the name counts," says Kapoor. "Our thrust is in the upcountry and rural markets, where the market is growing very fast due to the rapid increase in the reach of television transmission."

Apart from tapping the newer markets where the competition is less fierce, the company has also shown innovative zeal by adopting new marketing techniques to suit the needs of particular segments. To market its food processors, for example, Crompton Greaves is going in for door-to-door demonstrations as well as displays at women's clubs. "We've met with good success," claims Kapoor.



* Projected

Source company's records

Note: Sales turnover figures rounded to the nearest crore and profit figures to the nearest million

QUALITY CONTROL CHECK AT THE NASIK INDUSTRIAL ELECTRONICS' DIVISION

No doubt, enthused by this response, the company is preparing for the launch of its washing machines — a Rs. 50 crore market that is growing at the fast clip of 25% a year. A lightweight electric iron has already been launched and plans for the introduction of more household gadgetry — such as toasters and microwave ovens — are in the works.

While all these new products will give the company a more visible presence in the marketplace, they will make only a marginal difference to the top line. According to an internal projection made by the company, even by 1992 the consumer electronics and household appliances segment will not account for more than 6.6% of turnover. That works out to less than Rs. 50 crores on a gross turnover of around Rs

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MURTHY: DEVELOPING NEW PRODUCTS

VARIER: MAKING R&D PAY

00 crores. As compared to that, the company's largest division — the electrical motors one — will be producing well over a quarter of the turnover in 992 (25.7%) even though that will be a comedown from the 1987 share of 8.4%.

Crompton Greaves' motor group, headed by vice president D.P. Patel, is one of the most versatile in the industry. "We make the widest range of electrical motors, from fractional horsepower (HP) motors to the heaviest ranges," says Patel. In certain market segments such as flame-proof motors, the company is not only a leader but has an overwhelming market share of 0% or more.

WIDEST RANGE

Similar is the story with the transformer, switchgear and control gear divisions of Crompton Greaves, which together accounted for nearly 30% of the company's Rs. 282 crore turnover in 1986-87 and will, by 1992, still be contributing 23%. Says Ranjan Dasgupta, vice president of the control equipment group, "Nobody in India has our product range in switchgears, including BHEL." The control equipment line is still not profitable, but Dasgupta sees things improving. "In three years' time, feel control equipment will be our biggest profit earner in volume terms," he predicts.

One area in which Crompton Greaves hasn't been doing too well is exports — basically fans. In the last couple of years, exports have hovered around Rs. 5-6 crores and in 1986-87 the figures tumbled even lower. Says P.K. Oza, vice president of the trading and factored products division: "Our opportunities in Africa have closed because of their foreign exchange problem. Therefore, our main markets are in the developed countries." Unfortunately, here the company has been rendered uncompetitive by the cheap products coming from South Korea and Japan. As a result, Crompton Greaves' fans, which were once making steady headway in America, are now in retreat.

But Oza is not about to throw in the towel. "We are shedding our dependence on one market (America) and one product (fans)," he affirms. The company has started exporting transformers apart from fans and expects to chalk up an export turnover of around Rs. 10 crores (including deemed exports) in the year ending June 1988. "We have achieved some success in exporting our fans to Australia. We will export to Japan too," he says. He expects exports to grow at the rate of around 15% per annum.

Another division which Oza oversees and has a lot of potential is turnkey projects. Headed by H.B. Singh, the Madras-based chief of the engineering projects division (EPD), this activity till recently involved the setting up of electricity sub-stations up to 132 Kv. The area of operations has now been expanded to take in even higher voltage jobs. More recently, the EPD won a contract to set up the overhead electric lines and sub-stations for the Bina-Jhansi section of the Indian railways as a part of their electrification programme. With orders valued at Rs. 20 crores already in hand, Singh is setting his sights higher. He is bidding for the massive Rs. 100 crore electrical component of the Durgapur steel plant's modernisation programme in partnership with Hindustan Brown Boveri Ltd. If he succeeds, that will definitely give the EPD a big boost, but Singh also warns against over-optimism. "In projects you can't get a steady rise (in turnover) every year," he says.

CHARI: "WE ARE NOT JUST SELLING LIGHT"

Fortunately, what is true for the EPD doesn't hold good for the company as a whole, which hopes to forge ahead at a steady pace. "On the top line, we will end up with a turnover of Rs. 340 crores this year (ending June 1988). In effect, that means we have doubled turnover in four years," says Nohria, adding: "Logically, there is no reason why in the next four years we can't double it again."

If Nohria's optimism is justified, come 1992, Crompton Greaves will be a Rs. 700 crore company. The moot point is whether the progress on the top line will be transferred to the bottom line as well.

B.M. Suri, vice president (finance), is reasonably confident of that. "We're aiming for 7%-8% profitability on sales in a couple of years. It should be possible. After all, it has been achieved in the past," he reasons.

Four factors raise doubts on this score. One is the fact that the newer areas into which Crompton Greaves has dipped its toes may prove to be tougher to make profits in. Nohria admits as much. "Success in the new areas will certainly be much more difficult," he says, and hazards a guess that it may take around four to five years to establish a strong presence.

AMBIGUOUS POSITIONING

The second reason for misgiving is that the company does not seem to have a clear-cut brand promotion strategy. Broadly speaking, the company aims to promote all its new products in the consumer electronics and household appliances range under the 'Crompton Greaves' label. Given the

COL. CROMPTON'S LEGACY

If Colonel Rookes Evelyn Bell Crompton — the Englishman who gave the Crompton name its inextricable link with electricity — had been around today, he would barely have recognised the company he founded. But he would certainly have been proud of it. For, Crompton Greaves has inherited the same strong engineering tradition that set Colonel Crompton apart from his peers in the 19th century.

Colonel Crompton, one of the great pioneers in mechanical road traction and electrical engineering, was a leading innovator and inventor of his time. In 1878, he founded R.E.B. Crompton & Co. in Chelmsford, UK, which acquired fame for the excellence of its products, including arc lighting equipment and specialised standard instruments.

Colonel Crompton's Indian connection began at the turn of the century, when he came to the country to advise the government on legislation for an Electricity Act. He was also involved in establishing the Calcutta Electric Supply Corporation and the Madras Electric Supply Co.

His links with India could possibly have ended there but for some adverse developments at R.E.B. Crompton which forced the company to amalgamate with F&A Parkinson of Guiseley, UK, and form Crompton Parkinson & Co. Ltd. (F&A Parkinson, a venture promoted by brothers Frank and Albert, was a reputed manufacturer of several standardised engineering products.) The idea of an Indian factory originated with Frank Parkinson and it became a reality in 1937 when Crompton Parkinson, UK, set up a wholly-owned subsidiary, Crompton Parkinson Works Ltd., at Worli, Bombay.

Partnerships. It is from Crompton Parkinson that Crompton Greaves acquired the first part of its name. The latter part is owed to James Greaves, an enterprising Lancashire businessman, who started a small firm called James Greaves & Co. in Broach (Gujarat) in 1859 to trade in cotton and set up cotton ginning factories along the Gujarat coast. In 1868, to accelerate growth and extend his field of activity, he went into partnership with George Cotton, an agent of the East India Co. The new firm, Greaves Cotton & Co., handled a wide range of business interests in western India. In 1870, the company set up its headquarters at Forbes Street in Bombay, and this remains the hub of every Indian company bearing the Greaves name.

In 1927, Greaves Cotton & Co. was appointed the sole concessionaire of Crompton Parkinson, UK. Ten years later, the industrial houses of Crompton and Greaves joined together in a maiden venture, Greaves Cotton & Crompton Parkinson Pvt. Ltd. This newly formed sales and service organisation became the sole concessionaire of Crompton Parkinson Works.

In 1947, Greaves Cotton & Co. took up a financial stake in Crompton Parkinson Works to assist in the expansion of the Worli plant. In the same year, Sir John Greaves, grandson of the founder James Greaves, retired from Greaves Cotton & Co. and his interests were taken over by Lala Karamchand Thapar. With the progressive Indianisation of Crompton Parkinson Works, the Thapar holdings in the company rose from 26% in 1947 to 50% by 1955. In 1966-67, Greaves Cotton & Crompton Parkinson Pvt. Ltd. merged with Crompton Parkinson Works to form Crompton Greaves Ltd. The new company also went public that year, as a result of which the general public acquired a 25% equity stake in it.

Subsequently, when Crompton Parkinson, UK, merged with the Hawker Siddeley Group, Crompton Greaves Ltd. automatically became a member of this worldwide conglomerate.

strong brand image that the label ensures in the ceiling fans category, the Crompton name will no doubt give the new products some initial mileage. But since there are already other strong brands in the company's new product categories, it is a bit difficult to imagine that the Crompton Greaves name by itself will create a market for its products. To say the least, the positioning of the products is rather ambiguous.

Third, the company is now embracing the trading mode to a larger extent than ever before. And that carries its own risks. Almost all the items in the company's consumer electronics and household products range — from televisions to toasters, food processors to electric irons — are to be manufactured in the small sector, albeit under Crompton Greaves' tight supervision.

Additionally, the company holds marketing rights for the products made by Northern Digital Exchanges Ltd., a Punjab-based Thapar group company which already manufactures EPABX systems and will soon be offering facsimile machines and other office automation products. Nicco Batteries Ltd. (NBL), in which Crompton Greaves has a 10% equity stake, is another company with which the latter has entered into a marketing arrangement. NBL's automotive batteries are being marketed in the western and southern regions by Crompton Greaves.

A fourth reason for disquiet is the sheer size of the company. Considering the kind of growth that is in the works, Crompton Greaves will become even more of a multi-divisional, multi-product, multi-locational colossus in the future than it is today. One way the company has sought to cope with this complexity is by making each division a separate profit centre, with the general manager of each division functioning as its managing director. But with divisions proliferating, the company may soon find itself short of the kind of managerial manpower it requires to man the operations. "By 1993, we could have 53 divisions, and 11 locations (for manufacturing operations). Who will manage them?" wonders Ranjan Dasgupta, vice president of the control equipment division.

Many of these disquieting facets, however, fade in comparison with the positive side of the ledger. Crompton Greaves has many things going for it, not the least of which are its internal

KAPOOR: TEETHING TROUBLES OVER

rengths. An open managerial culture one. Crompton Greaves has an ex- emely open communication system at brooks no barriers of rank and unction. Nohria, who as the company's president and managing director has earned the distinction of being e most itinerant chief executive in e company's history, meets em- loyees and managerial personnel at very level and at every opportunity. “That way I don't have to ask people to rite reports,” he remarks. Needless to y, problems get solved before they ggravate and personnel motivation vels are very high.

The company does not also suffer the ind of anxieties associated with top vel changes, because chief executives re always discovered from within the rganisation, and well in time. Says ohria: “Normally we announce the ame of the next chief executive some 2-18 months before the incumbent ne retires.” That means, succession sues cause less heartburn in Cromp- on Greaves than elsewhere.

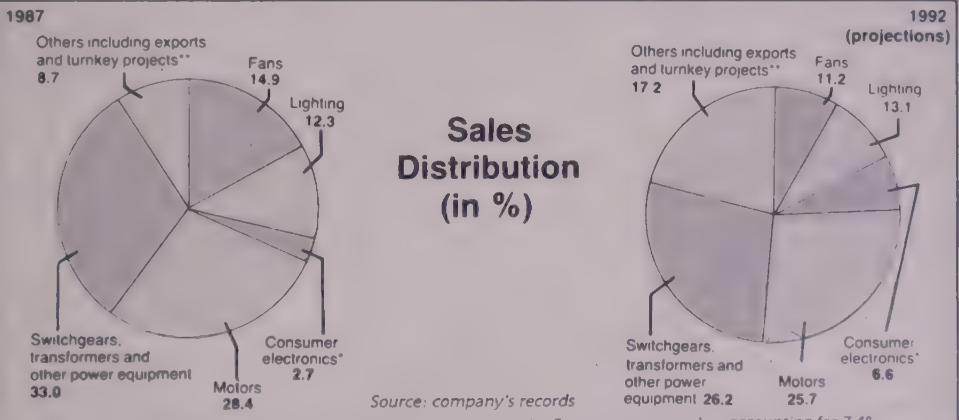
It was chairman Wagle who started e healthy practice of naming a suc- ssor well in time. “When I was chief xecutive of Greaves Cotton (which olds a 37.5% equity stake in Cromp- on Greaves), my successor was nnounced two years before I was due retire. I gradually let him take over nd in the last six months I wasn't oing anything,” he recalls. Wagle sees ree advantages in naming a successor arly. “One, it removes uncertainty. wo, it makes the transition smooth. nd three, it leaves you time to review e decision in case the choice proves rong.” Not surprisingly, Crompton reaves has always had good lead- rship at the top.

This happy state of affairs is not a ttle due to the commitment of the hapar group — to which Crompton Greaves formally belongs — to keep the anagement free from external in- erference. “I don't meddle in the ffairs of the company, which, I be- eve, is in good hands,” says Lalit Mohan Thapar, a director of the com- any and head of the Thapar group of ompanies.

Apart from such parental support which will, no doubt, stand it in good tead, Crompton Greaves also has everal other allies on its side in the oming market battles: its 3,000 plus ealers, who together form a kind of xtended Crompton family. Affirms G.N. Mani, vice president (marketing): “Our dealers have strong loyalties, as ve do most of our business through hem — almost 55% of our turnover.”

THAPAR: "I DON'T MEDDLE"

Says Manekchand Jain, a Madras-based Crompton dealer since 1972: “If we have a problem, we have direct access to the top people who can solve it for us on the spot. But, usually, the need doesn't arise, for they have a professional approach.” So, even though Jain's showrooms stock many products, loyalties to Crompton are the strongest. “In most of the areas in which we sell Crompton products — except TVs — we don't stock competing items,” says Jain.



Sales Distribution (in %)

Source: company's records

*Note: *Includes household appliances **Includes telecom, electronics & computers, together accounting for 7.4°*

However, the inner core of the company's strength is its design and engineering prowess, and in particular, the ability to absorb, and develop its own technologies. The company has a very strong base in electricals R&D and has now established a separate division for the electronics segment as well. Moreover, the R&D work is now being made more meaningful to the bottomline. “Earlier, R&D played only a supportive role — for testing products, etc. Since last year, we have been working on projects that will give us a return on investment in due course,” says C.R. Varier, general manager (R&D — electricals).

If anything, the electronics side of the R&D is even more product-oriented. “Our primary function is to develop our own products,” says G.T. Murthy (general manager, R&D electronics). Murthy sees industrial automation, power electronics, computer hardware and software and telecommunication as the major product development areas for Crompton Greaves.

SOBERING THOUGHT

In industrial automation, the company has started work in rudimentary robotics at its Manufacturing Engineering Lab in Nasik. While the initial results are not the kind of stuff that sci-fi dreams are made of, it is a sobering thought to realise that most of Japan's biggest increases in productivity have come not from complex robots but simple ones that perform simple tasks like lifting an object and putting it in a different place.

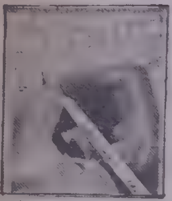
One R&D set-up that has already established its commercial utility is Crompton Greaves' illuminations lab in Bombay, which has already made the company a force to reckon with in the luminaires market, where Philips is the leader. From this lab — reputedly the best in the country — have come illuminating ideas in the fields of office and industrial lighting as well as street lighting. Says Nambi Chari, general manager of the lab: “We're not just selling light. We're selling proper visibility.”

It is the illuminations lab that has enabled the company to extend its strong image in the ceiling fans market to lighting as well. Since the company has established a reputation both at the heavy end of the electricals industry (transformers, control gear, electrical motors, et al) and the light end (fans and lighting) it can justifiably claim to be a leader in the field. But will it be able to establish the same reputation in electronics, a field in which it is admittedly a late entrant?

Given its past track record, the odds are that it will.

■ *R. Jagannathan*

PICK OF THE JOBS



"It's a pity that many organisations do not value the importance of placement consultants and just treat them as suppliers of manpower. Clients who have taken placement consultants into confidence and treated them as a part of their organisations have been able to recruit managers who can fit into their culture or even help them develop a particular type of culture," points out Chander Batheja, chief executive of The Concept, one of the better known management consultancy firms in Bombay.

MANAGING DIRECTOR

Personnel Search Services is gunning for an outstanding individual to take over as the managing director of a reputed, well-established company in Bombay, which is now on a major expansionary spree.

The right person would be between 40 to 55 years of age, with a brilliant track record, should be currently working in a pharmaceutical company in a similar position or in a position as head of the marketing or finance functions. The applicant should also be well-versed in other functional areas.

The emoluments and perquisites offered are very attractive, and include a chauffeur-driven company car and accommodation.

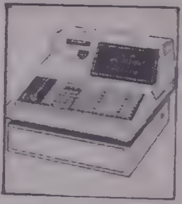
CHIEF EXECUTIVE

A large industrial group in Bombay, which is diversifying into computers, has retained Personnel Search Services to zero in on a high-powered chief executive to head this new division's activities. The group's operations include the production and export of pharmaceuticals, sports goods, agrochemicals, industrial batteries, fragrances and electronics. Each division has been set up in technical collaboration with top-ranking companies in the US and Japan.

To fit the bill, aspirants should be graduates either in electronics, electrical or computer engineering and should have relevant experience as the head of a profit centre in a related field, and a proven track record.

The compensation package is negotiable and includes a house, car, chauffeur, etc.

GROUP DIRECTOR - FINANCE & LEGAL



Personnel Search Services has launched an executive search for a dynamic group director (finance and legal) for a professionally-managed industrial house in India with an annual sales turnover of over Rs. 200 crores. The group has diversified interests in areas including pharmaceuticals, chemicals, textiles, auto electricals and electronics. The appointee will oversee the finance and legal activities of the group and advise the management on these matters.

The right person would be over 40 years of age and would have either handled a similar function in a group or would currently be heading the finance and legal functions in a large company.

The emoluments and perquisites offered are very attractive.

DY. GENERAL MANAGER - PROJECTS

A fast-growing professionally-managed company in Bombay manufacturing life-saving antibiotics and drug intermediates and part of a prestigious business group with ambitious expansion plans has retained Personnel Search Services to scout around for a deputy general manager (projects).

The incumbent would be responsible for all project activities, i.e. the timely implementation of existing projects, identifying new ones, undertaking feasibility studies, negotiating orders for plant and machinery, interacting with government agencies and financial institutions and coordinating with design consultants, etc. He will head a team of qualified project personnel.

This senior position is for a result-oriented chemical engineer or organic chemist, preferably with management qualifications, in the age group of 35 to 40 years, having a proven record of independently implementing projects in the field of fine chemicals, intermediates and petrochemicals.

The emolument package is negotiable upwards of Rs. 1.5 lakhs per annum.

GROUP DIRECTOR - PERSONNEL

For the same group of companies in Bombay, Personnel Search Services is also looking out for a group director (personnel).

For this key portfolio, aspirants should be over 45 years of age and should currently be handling a similar function. The major criterion for selection would be the aspirant's track record in the area of industrial relations and his ability to function as a member of the top management team.

The emoluments and perquisites offered are attractive and negotiable.

Enquiries to Personnel Search Services, 3rd Floor, Sambava Chambers, Sir P.M.Road, Fort, Bombay-400001. Tel.2862660, 295963.

ZONAL MANAGERS

A well-established multinational industrial group which manufactures and markets a wide variety of consumer products has enlisted the services of The Concept to track down three live-wire zonal managers for Bombay, Delhi and Hyderabad.

To fit the bill, aspirants should preferably be postgraduates in business administration, between 35 to 45 years of age, should have a sound track record in the marketing and sales of consumer products, as well as substantial commercial acumen and administrative ability. They should have worked in a multinational company and should be prepared to travel on occasional transfers from one location or division to another.

For this plum job, the compensation package will be over Rs.1 lakh per annum and there will be lavish perquisites, including accommodation and a car.

GENERAL MANAGER - MARKETING

The Concept is hunting for a high-flying general manager (marketing) for the consumer products division of a well-diversified and multinational company poised for rapid growth in consumer products, including liquor. The position is based in Delhi.

To fill the requirements of this high-profile job, the aspirant should be a seasoned and aggressive divisional marketing head, between 30 and 40 years of age.

The appointee will oversee the all-India marketing function of the division and will have to achieve its targeted volume and profit goals. For a quantum jump, a strategy of acquisitions, diversification and substantial expansion and modernisation has been decided encompassing the current range of liquor, toiletries and detergents, whose manufacturing facilities are spread out over half a dozen locations in India.

Remuneration for this job will be the appointee's for the asking and perquisites will be liberal.

GENERAL MANAGER

The Concept is looking for a top-flight senior marketing professional to take over as general manager (agro-chemicals) for a multinational company in Bombay engaged in the manufacture and marketing of pharmaceuticals, pesticides and bulk drugs and having an annual sales turnover of over Rs.40 crores.

Those taking a shot at this top spot should preferably be postgraduates in business administration, between 35 to 45 years of age, and have a proven track record in the marketing or technical services function in agrochemicals. They should be thoroughly familiar with procurement and sourcing.

The appointee will report to the director (marketing) of the division and will be responsible for all the activities related to the third party sourcing of agro-chemicals.

The company offers a professional culture and a hefty compensation package of Rs.1 lakh per annum and handsome perquisites, including accommodation and a chauffeur-driven car.

Enquiries to The Concept, 67, White Hall, 143, August Kranti Marg, Bombay-400036. Tel.8224422, 8118319.

CHIEF ENGINEER

Beam Services is looking for a chief engineer for a unit of a Bombay-based group of companies manufacturing dyes and intermediates and having a turnover of over Rs. 50 crores.

For this key portfolio, aspirants should be mechanical engineers, preferably with specialised qualifications in electrical engineering and 10-15 years' experience in a chemical or allied industry as an engineer, of which three to four years should have been spent as a chief or deputy engineer. The right candidate will have a proven track record in basic engineering designs in the projects and maintenance field and should not be more than 35 years of age.

The compensation package is in the region of Rs. 75,000 to Rs. 85,000 per annum and lavish perquisites and even accommodation may be considered.

MANAGER - HRD

A large multi-crore company in Bombay has retained Beam Services to train its guns on a manager (HRD). His core expertise should be in the field of assessment of human behaviour, the development of employees in terms of relevance to the organisation and to assist and introduce a culture where managers and other staff can work cooperatively towards a common goal. He or she should have a deep understanding of communications, conflict management, leadership posture, etc.

For the right candidate, who should be in his/her early forties, the salary is negotiable and will certainly be over Rs. 1,00,000 annually.

COMMERCIAL MANAGER

A reputed company in Bombay manufacturing organic intermediates for the dyes, pharmaceuticals and pesticides industries has retained Beam Services to scout around for a commercial manager.

Ideally, aspirants would be science graduates preferably with postgraduate qualifications in business administration, and seven to 10 years' experience of export marketing, preferably in the above products.

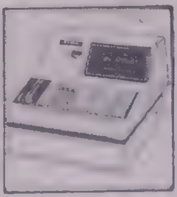
The pay packet is around Rs. 65,000 per annum, but is negotiable on the higher side.

GENERAL MANAGER - TECHNICAL

For the same company in Bombay, Beam Services is in the hunt for a general manager (technical), between 35 to 40 years of age, who should be a chemical engineer or a postgraduate in science with organic chemistry as a specialisation, and preferably with a management background and 10 years' experience.

The compensation package is negotiable around Rs. 70,000 per annum.

PRODUCTION MANAGER



Beam Services is on the lookout for a production manager for a company in Goa which manufactures and markets printed circuit boards with foreign collaboration.

To be eligible for consideration for this slot, aspirants should be mechanical, electrical or electronics engineers, around 30 years of age, with at least four to five years' experience.

The appointee will be responsible for the production, maintenance, materials and administration of the plant.

The compensation package will be over Rs. 60,000 per annum.

Enquiries to Beam Services, Colaba Chambers, 1, Wodehouse Road, Bombay-400005.

■ *Indra Gidwani*

SPENDING ON INFRASTRUCTURE

Given the poor network of infrastructural facilities available in India, industrial enterprises have to incur substantial expenses every year in the form of contributions to the state government, the local municipality or *gram panchayat* for the metalling of roads or for converting *kuccha* roads into *pucca* ones.

The roads belong to the government and, therefore, the ownership will not vest with the industrial enterprises incurring the expenditure, thereby depriving them of depreciation allowance. However, courts have held that such contributions will be on the revenue account as they are incurred primarily for promoting the business interests of the industrial enterprise.

A recent decision of the Madhya Pradesh high court was in *Gwalior Rayon Silk Manufacturing (Weaving) Co.Ltd. v. C.I.T. (1988 Tax. L.R. 457)*. In the returns filed by the company for the assessment years 1964-65 and 1965-66, a deduction of Rs.1 lakh was claimed for each of the two years since that was the amount paid by it to the state government of Kerala as its contribution for the metalling and black-topping of a *kuccha* road from Mavoor to the Calicut railway station.

> ***It is well established in law that any expenditure incurred for improving the infrastructural facilities would be on the revenue account since the ownership in those assets would vest with third parties***

According to the assessee, a new pulp factory was set up by it at Mavoor, but as the road between Mavoor and the Calicut railway station was *kuccha* and not motorable during the rainy season, the factory of the assessee was almost cut off from other parts of the area. The assessee, therefore, approached the government of Kerala, which agreed to metal and black-top the road subject to the assessee making a contribution of Rs.2 lakhs towards the work.

The assessee accordingly paid its contribution of Rs.1 lakh during each of the two relevant assessment years. The assessee also claimed deduction on account of the contribution made by it to the state government for the construction of tubewells in the vicinity of its factory. Both these deductions were disallowed by the income tax officer on the ground that the expenditure was of a capital nature.

On a reference, the high court held that the tribunal was in error in disallowing the expenditure incurred in connection with the construction of the road and tubewells on the sole ground that the expenditure was in the nature of capital expenditure.

According to the court, the tribunal had relied on the decision of the Supreme Court in *Travancore-Cochin Chemicals Ltd. v. C.I.T. (106 I.T.R. 900)*. However, as held by the Supreme Court in *L.B. Sugar Factory & Oil Mills (P) Ltd. v. C.I.T. (125 I.T.R. 293)*, the decision in the *Travancore-Cochin Chemicals Ltd.* case had to be confined to the peculiar facts of that case.

In *Empire Jute Co. Ltd. v. C.I.T. (124 I.T.R. 1)*, the Supreme Court observed as follows:

"There may be cases where expenditure, even if incurred for obtaining an advantage of enduring benefit, may, nonetheless, be on revenue account and the test of enduring benefit may break down. It is not every advantage of enduring nature acquired by an assessee that brings the case within the principle laid down in this test. What is material to consider is the nature of the advantage in a commercial sense and it is only where the advantage is in the capital field that the expenditure would be disallowable on an application of this test.

"If the advantage consists merely in facilitating the assessee's trading operation or enabling the management and conduct of the assessee's business to be carried on more efficiently or more profitably while leaving the fixed capital untouched, the expenditure would be on revenue account."

An important decision of the Supreme Court on this point is in the case of *Lakshmiji Sugar Mills Co. P. Ltd. v. C.I.T. (82 I.T.R. 376)*. In this case, the assessee carried on the business of manufacture and sale of sugar. It paid certain amounts to the Cane Development Council by way of contribution for the construction and development of roads between the various sugar producing centres and factories of the assessee.

It was found by the department that these contributions were intended to be applied for the construction and development of roads between the raw material producing centres and the sugar mills and it was held that these amounts constituted capital expenditure. The high court upheld this view of the department and held that the expenditure was on the capital account. On a reference, the Supreme Court observed:

"It (the company) only made certain contributions for road development between the various cane producing centres and the mills. The apparent object and purpose was to facilitate the running of its motor vehicles.

"These facts would bring it within the second part of the principle mentioned before, namely, that the expenditure was incurred for running the business or working it with a view to produce the profits without the assessee getting any advantage of an enduring benefit to itself."

The Supreme Court thus concluded that the expenditure was made for reasons of commercial expediency.

Hence, it is well-established in law that any expenditure incurred for improving the infrastructural facilities would be on the revenue account since the ownership in those assets would vest with third parties and not with the assessees incurring the expenditure. It is hoped that there will be no further litigation on this point.

■ *H.P. Ranina*

CREDIT POLICY BOMBSHELL

The latest slack season credit policy of the Reserve Bank of India (RBI) has come as a bombshell to banks. The hike in the cash reserve ratio (CRR) to a record 10.5% will help impound funds in order to curb the growth of liquidity. The RBI has also put its foot down on the buyback operations of banks in government and other approved securities which, it thinks, had a depressing effect on the growth of bank deposits.

The funds of banks which were impounded under the incremental cash reserve ratio during January 1977 to October 1980 are to be released on 23rd April 1988 to help banks finance the expected increase in demand for food credit. But the hike in the deposit interest rate from 6.5% to 8% from 4th April 1988 on short-term deposits for 91 days and above but less than six months will mean that what the RBI has given with one hand, it has taken away with the other. Besides, there are too many schemes competing for a slice of public deposits. Banks have been left forlorn due to the lower interest rates they are ordained to pay on other term deposits.

But, while such savings schemes are multiplying, there has been a steady decline in savings in relation to the gross domestic product (GDP). Even the Union finance minister, N.D. Tiwari, recently pointed to the multiplicity of savings schemes. He could have said, like Malthus, that while savings are increasing by arithmetical progression, the schemes to mobilise them are multiplying geometrically. The steady erosion of the purchasing power of the rupee because of inflation is undermining the ability of the middle-class to save. But instead of resorting to the much-talked-about rationalisation and simplification of the innumerable savings schemes, the government has done nothing. What was needed was an increase in the rate of return. Without this, the ratio of savings to GDP will continue to decline.

SERIOUS SETBACK

Neither the Union finance ministry, nor its banking division, nor even the RBI seems to be worried about the growing monetary stringency and the progressive decline in the deposit growth rate of commercial banks. According to the data available for the first 11 months of the last financial year (1987-88), deposit mobilisation by banks will suffer a serious setback during 1987-88 — both in relation to the target set by the RBI at the time of formulating the busy and slack season credit policies and the rate of growth achieved during 1986-87.

For example, between the last Friday of March 1987 and 26th February 1988, total deposits of scheduled commercial banks registered a rise of Rs. 14,365 crores — an increase of 14%. This is much smaller than the increase of Rs. 16,110 crores (18.9%) during the same period of 1986-87. Bank managers have failed to notice that there has been a considerable deceleration in the accretion of demand deposits to just 2.1% this year, against as much as 16% in 1986-87. Yet another cause for concern is that the rate of growth of time deposits has also slowed down — it declined from 19.5% in 1986-87 to 16.7% in 1987-88.

The rate of growth of both time and demand deposits has been sluggish. But the RBI has not yet seen the writing on the wall. As it is, the rate of return on bank deposits has become negative and will become all the more so because of the threat of double-digit inflation in 1988-89. This is inevitable as the Union budget, along with pre-budget exercises, has imposed fresh levies of about Rs. 3,500 crores in a single year which will herald a sort of taxation inflation in the economy. For 1987-88, the RBI visualises additional deposit mobilisation to the tune of Rs. 18,500 crores. But during the first 11 months, the increase in deposits has been no more than Rs. 14,365 crores, leaving a whopping Rs. 4,135 crores to be mobilised in a matter of a few weeks.

INNUMERABLE SCHEMES

LIC, UTI and the public sector enterprises have joined the rat-race for raising resources. LIC, for example, has as many as 50 schemes including the useless Jeevan Dhara, for collecting money from the public while UTI has been equally enterprising in raising resources through attractive schemes whose number is legion. This apart, UTI has introduced the Mastershare schemes while the State Bank and Canara Bank collect resources from the public by offering a fixed return by engaging in speculative share transactions of a jobbing nature, which is anything but banking business. But nobody bothers to find out whether the device to raise deposits through such means is ethical or not. While there was an across-the-board 1% cut in the interest rates on deposits with effect from September 1987, the public sector enterprises are offering a tax-free return of 9% and a taxable one of 14% with a package of tax concessions.

N.D. Tiwari has now come forward with substantial modifications of the National Deposit Scheme with 100% tax exemption with a ceiling of Rs. 30,000 for four years. There is tax exemption on dividend income up to Rs. 3,000 under s.80L. In addition, there is the monthly deposit scheme in post offices offering a 12% return, without the benefits under s.80C or s.80L. Companies, including blade manufacturers, are allowed to collect deposits from the public at much higher interest rates. Thus, there is total anarchy in the structure of deposit interest rates, which has been aggravated by the latest Union budget.

Not even RBI is worried about growing monetary stringency

While Tiwari has been paying lip-service to the cause of rationalisation of the deposit interest rate structure, he has done precious little to achieve his laudable objective. Does this mean that the government subscribes to the notion that in attracting deposits, everything is fair and ethical, as in love and war? Nobody in the finance ministry or the RBI has yet bothered to point out that banks are being bled white by a destructive policy of low returns on deposits, which will progressively usher in a deceleration in deposit growth. And nobody will, until it is too late.

■ *A.K. Ganguly*

NABARD FUNDS FOR TEA PROJECTS

The National Bank for Agriculture and Rural Development (Nabard) has been asked to step up funding to tea development projects. N.D. Tiwari, Union minister for commerce and finance, has asked Nabard to grant top priority to such schemes.

Research on tea development is being strengthened as part of an overall strategy to boost tea exports. Simultaneously, tea cultivation is being extended to non-traditional areas such as Orissa. Recently, a tea auction was held for the first time in Keonjhar district in that state.

Tiwari said that the servicing of the indigenous demand for tea should also get high priority, because the domestic market has been expanding rapidly. Armed with Nabard finance, tea gardens are expected to increase productivity per hectare. Growth is to be their new watchword — which should suit them to a 'T.'

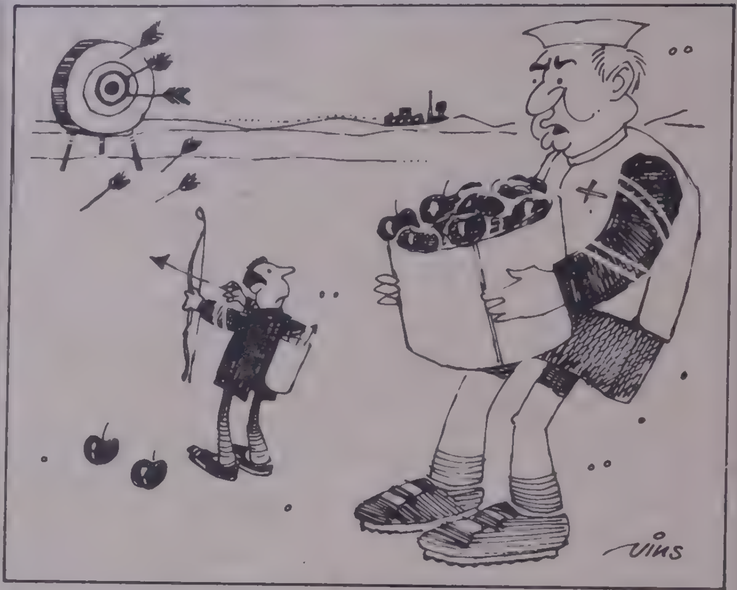
MORE ADB FUNDING THIS YEAR

India may receive more money from the Asian Development Bank (ADB) this year. The Bank's annual report for 1987, released recently, says several projects have been lined up for assistance, adding up to $800 million.

The report foresees better performance by the Indian economy this year. ADB predicts that agricultural production will recover, industrial output expand, and the infrastructure improve.

On the world economy, the ADB report sounds a gloomier note. The report says the growth of world output and trade will continue to be sluggish. The problems of developing countries may thus not disappear.

PERFORMANCE-LINKED EXPORT SOPS



Is the government changing its export policy tune? Not quite, though it has introduced a new note. Possibly for the first time, the finance ministry has begun to talk about linking export concessions to performance.

Until recently, "encouraging exports" meant granting across-the-board benefits to exporters. A host of export-promotion schemes has come into existence since the late sixties, but never was an attempt made to discern their export-elasticity.

This 'come-one, come-all' approach is now being given up. Finance and commerce minister N.D. Tiwari recently told a review meeting attended by representatives of the export promotion councils (EPCs), commodity boards and trade organisations that in future, export concessions would be linked to the fulfilment of specific export targets.

Tiwari was dissatisfied with the tentative targets the EPCs had set for 1988-89. "Our exporters can do much better," he told the meeting. If performance is the only way to get more concessions, perhaps they might.

PORTFOLIO MANAGEMENT CONTINUES DESPITE BAN

Portfolio management, like God, sometimes means "all things to all men." Although the practice was banned in early April, some banks have found loopholes in the Reserve Bank directive (which imposed the ban), and continue to go their own way. Like many businessmen, they thrive on ambiguity.

The State Bank of India (SBI) chairman D.N. Ghosh lambasted these goings-on at a meeting in Bombay, saying "what went on in the name of portfolio management was utter nonsense." Apparently, some banks have interpreted the RBI directive to mean that they should not make buyback deals with corporate customers. Thus, they continue to practice portfolio management, without offering buyback facilities.

Reportedly, during the first two weeks of April, two banks struck such deals valued at Rs. 600 crores. SBI, Ghosh said, had asked the RBI to "do something urgently." A new directive, thus, should soon be on the way.

BANK LOANS AGAINST SHARES?

The Federation of Indian Chambers of Commerce and Industry (Ficci) wants bank loans to be advanced against shares. Such a practice would not only give companies easier access to working capital, but also help revive the capital markets, Ficci believes.

Rohit Mehta, the Federation's president, has suggested the adoption of this scheme to the minister of state for banking and finance, Edouardo Faleiro.

According to Mehta, "timely finance" provided by banks could help prevent industrial sickness. Maybe. But what about the Rs. 6,000 crores of bank money already locked up in sick units? Who will nurse such "sick loans" back to health?

PRIVATE VENTURE CAPITAL FUNDS?

The concept of private sector venture capital funds has found an unexpected supporter: S.S. Nadkarni, chairman, Industrial Development Bank of India (IDBI).

Nadkarni, who was addressing the finance session at the Confederation of Engineering Industry's national conference, said venture capital funds would enable companies to draw upon equity finance (risk capital) rather than debt finance. He said dependence on the latter was a major cause of industrial sickness.

Nadkarni emphasised that venture capital funds required exit mechanisms, so that they could withdraw from companies which got going successfully.

Nadkarni's observations echo the demands of the private sector, which has frequently demanded an entry into the venture capital field.

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THE TAMING OF BENGAL'S LABOUR

The tide has turned. Union power is past its apogee in West Bengal, that ultimate bastion of the Left. The red standard of worker solidarity is now a tattered pink. In places, even that pink has been replaced by the white flag of moderation; truce is substituting struggle as the buzzword for the fiery comrades of yesteryear.

Self-interest explains this sea change. Realisation is slowly dawning among labour leaders in West Bengal that the mailed fist of militancy is not appropriate in a state where vast swathes of industry have long ago passed into intensive care. Says S.C. Bhattacharya, vice president (personnel) of Macneill & Magor: "The trade unions have started worrying about the despairing (state of the) state economy." Even the state government, while officially professing itself wedded to the cause of labour, is talking moderation. The state's labour minister, Shanti Ranjan Ghatak, says his "aim is to strike a balance" between the interests of workers and those of industry.

That balance has, however, already tilted against labour by the force of circumstances. Most industries — and certainly the state's five mainstays of jute, cotton textiles, iron and steel, engineering and paper — are just not in a position to fork out largesse to labour. Not even under the coercive power of strikes. On the contrary, even as labour recalcitrance is on the wane, a new form of management militancy is waxing ominously, seeking to extract wage cuts and redundancies from a labour force threatened by closure and lockout.

Consider these pointers.

- In 1986, the Sahu-Jain group's New Central Jute Mill kept the state government away from the negotiating table and patched up a bilateral deal with its workers. The latter accepted a pay-cut of Re. 1 per hour which added up to a saving of Rs. 200 per worker per month for the company. Other jute mills were quick to scent the change in the power equation. A dozen of them soon sold the idea of wage cuts and redundancies to their workforce.
- The Calcutta-based light engineering heavyweight, Guest Keen Williams (GKW), has taken a tough-as-nails posture in a dispute concerning its largest unit at Andul Road, Howrah. Having lost Rs. 54 crores in the past six years, GKW probably reckoned that it had nothing further to lose and clamped a lockout on 28th October last year. Five months later, the management offered a dose of bitter medicine to workers by proposing the premature retirement of nearly half of the 1,500 strong workforce of the Andul Road works' nuts and bolts division. In the unit as a whole, some 1,800 workers have been declared surplus. GKW chief executive

S.M. Batra says there is no question of reopening the unit unless it can be made profitable. For workers, that means redundancies.

- Another Calcutta-based company, Metal Box, has proposed an American-style restructuring: cuts in wages and perks, a freeze on increments and substantial fat-trimming. As if to emphasise its negotiating power, the management is dealing separately with the company's various unions even though there is an All India Metal Box Employees' Federation. While the Bombay unit of Metal Box has already signed on the dotted line, the Calcutta union is still haggling. But the sticking point is not whether, but how, to capitulate. Aloke Mukherjee, president of the Metal Box Workers' Union, says his union has made a counter-proposal that incorporates several slabs of pay cuts, depending on an employee's earnings, in place of the management proposal for a lat rate cut. With all but one of the company's 10 divisions now under ockout, there is little doubt who holds he whip.
- Industrialist B.M. Khaitan has successfully administered bitter medicine at Kilburn Industrial Estate, a part of his Macneill & Magor group, by getting he unions to agree to accept a 25% pay cut on December 1987 entitlements as well as a three-year freeze on dearness allowance and increments. Running parallel to this is a voluntary retirement scheme to slim down the labour complement in this ailing engineering unit. The management's victory can be gauged from the fact that nitially the unions had struck work to protest against these very proposals.
- Hindustan Lever has successfully mplemented its decision to relocate some 140 workers within its Calcutta actory despite militant opposition to ts plans by a rebel CPI(M) trade union activist. Indirectly backed by the Left Front government of West Bengal, the management has also thwarted the moves of the recognised union to secure permanent employment for about 550 casual workers.
- Perhaps encouraged by these examples, industrialist Rama Prasad Goenka has just proposed a 46% reduction in he workforce of the loss-making Gramophone Co. of India (GCI), the redeployment of some of the redundant workers, a reduction in the number of holidays and a three-year wage freeze for all with effect from 1st April 1988. Thus far, the CPI(M)-affiliated Centre of Indian Trade Unions (Citu) has maintained a studied silence on the GCI proposals, leading observers to suspect that the plan has the silent blessings of the powers-that-be.

Are these isolated cases or do they indicate a fundamental shift in the employer-employee equation in West Bengal? Is the country's oldest Red Raj turning pink?

CORRECTIVE PHASE

Optimists see the emergence of a new era of worker-management collaboration for mutual benefit. Says J.P. Chaudhari, chairman of the wage negotiating committee of the Confederation of Engineering Industry (CEI) in the eastern region: "The corrective phase in industrial relations in West Bengal has arrived. This is an opportunity to build bridges of trust and cooperation between the various unions and employers." Bhattacharya of Macneill & Magor sees a dramatic shift from labour's past confrontationist attitudes. "For the past two years they (labour) have been considering various labour rationalisation proposals which they would have rejected outright earlier," he says, and predicts that "labour militancy is going to be the exception."

> *"For the past two years (unions) have been considering labour rationalisation proposals which they would have rejected earlier"*
>
> ***— S.C. Bhattacharya**, vice president (personnel)*
> *Macneill & Magor*

Rajive Kaul, president of the Indian Chamber of Commerce, Calcutta, is equally sure that the bad ol' days are over. "Gheraos have become a thing of the past. The number of mandays lost due to strikes have declined considerably over the years." (See interview p.68).

If industrial relations in the state are veering away from the table-thumping.

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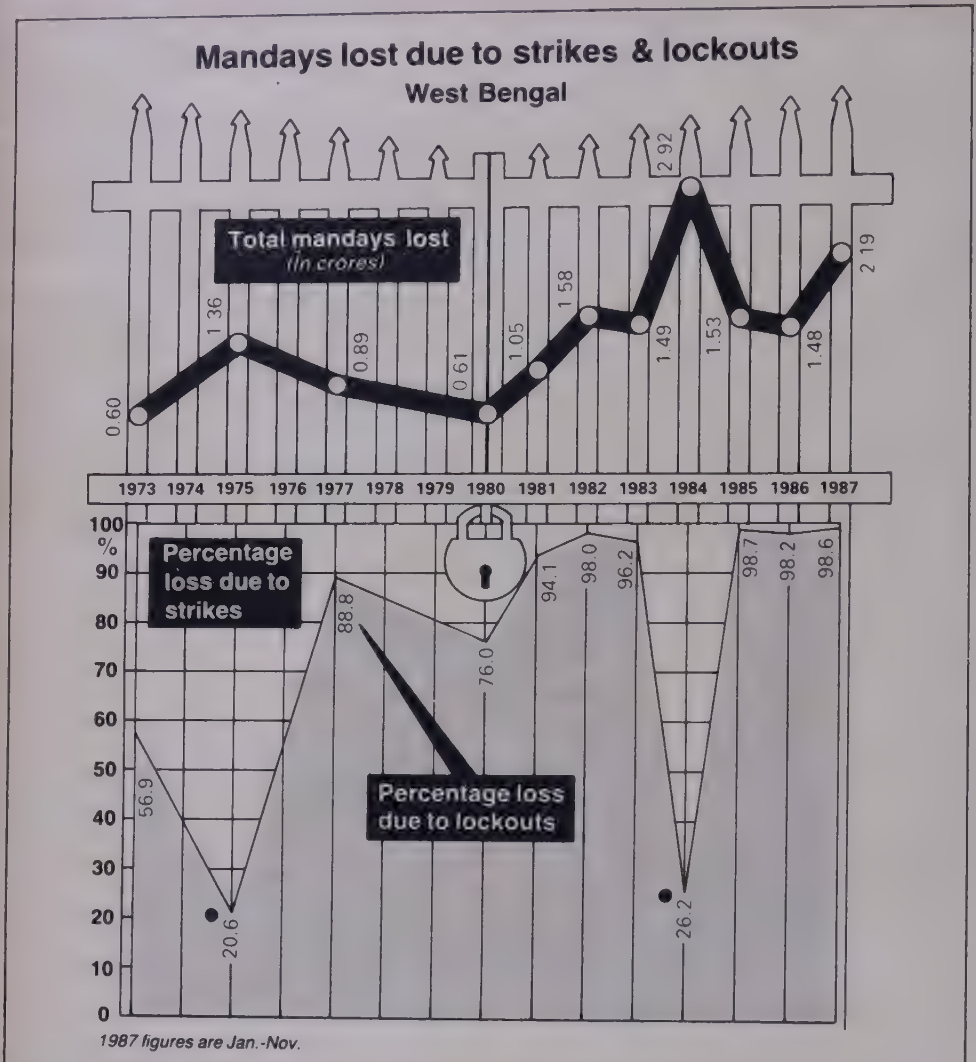
CONTOUR ADS-NIA-31G/88



1987 figures are Jan.-Nov.

rabble-rousing phase to a less combative state, the reasons have less to do with a change of heart on the part of labour than a fundamental shift in their bargaining power. Labour has lost leverage primarily because of the steady decline of West Bengal as an industrial power and the dismaying prospect that continued militancy may accelerate the flight of capital from the state and leave behind an industrial wasteland.

The decline has never been in doubt. In 1960, 23% of the total value of the country's industrial output came from West Bengal; by 1982-83, that share was down to 8.6%. Besides, the gap between West Bengal and the premier industrial states has been widening, primarily because of the slower rate at which new units have been coming up in the former. As at the end of March 1987, for example, the assistance sanctioned by the all-India financial institutions for units in West Bengal was Rs.1,477 crores, way behind the figure for Maharashtra and Gujarat (Rs.4,867 crores and Rs.3,291 crores respectively.)

Such statistics sent a chilling message to both the Left Front government and the unions: either they had to change their ways or go down the drain chanting slogans. The political leadership of the state saw the writing on the wall earlier, but the unions soon got the message too. Says C.N. Chakraborty, industrial relations advisor to the Indian Jute Mills Association: "The unions have realised the gravity of the economic situation. Even workers, individually, admit that wage rises must be matched by output."

CHANGING ATTITUDES

The dramatic change in attitudes to the private sector and industrial relations problems has been evident in terms of policy, precept and practice. In 1979, chief minister Jyoti Basu talked of the evils of private sector monopolistic power. "I am of the view that this monopolistic growth and concentration of wealth is not conducive for economic well-being." Barely two years later, Basu found it necessary to "make it quite clear that they (the large industrial houses) will receive all support (from the state government) as long as they abide by the laws of the land."

The government's postures in relation to labour issues too changed radically. In 1967 and 1969, when two successive Left Front alliances came to power, the leftist unions showed deep mistrust while dealing with the employers, struck work at the slightest pretext and harassed and intimidated the employers. The strident poll manifestos of the late sixties and early seventies called for a ban on the casual and contract labour systems, payment of wages at 50% of the normal rate in case of a lockout, and a ban on layoffs, lockouts and closures. Even in 1977, when the leftists came to power again, their poll manifestos talked of "a ban on retrenchment and the restoration of jobs to all those retrenched and victimised."

All these demands have been quietly jettisoned now. In those salad days of the sixties, a single case of retrenchment could spark off an industry-wide agitation. Now, even with more than two lakh workers out of work in the organised sector, there is little protest worth the name. In the jute industry alone, about 20 mills are closed, rendering 78,040 workers idle.

The transition from fiery red to pale pink unionism hasn't been smooth. Nor is there any certainty that the change will be lasting. The reason: the union leadership is divided on whether or not to take a soft line. Within the ranks of Citu, for example, there is a clear split. While one camp professes pragmatism, the other one believes that the party — the CPI(M) — should be seen as championing the cause of the workers under any circumstances. Latching on to the fact that in the last assembly elections the CPI(M) suffered an erosion of votes in areas that were known to be predominantly working class, the moderate group argues thus: since we have already lost the support of the workers, let us at least try out more rational labour policies.

DIFFERENT TUNE

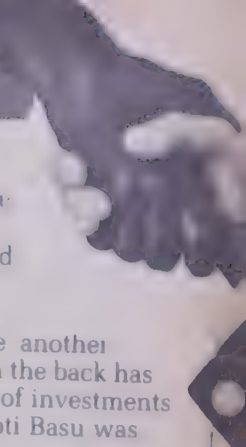
It is the moderate camp that seems to be carrying the day. Slowly, but surely, out of the sheer compulsions imposed by the need to arrest any further decline of the state's industrial economy, the CPI(M)-led Left Front has begun singing a different tune. Till about four years ago, the party identified itself with the working class, exhorting them to fight for their rights. It now hides all those punches in kid gloves.

The fire-and-brimstone speeches, of course, haven't been fully eschewed. Niren Ghosh, president of the Citu-affiliated Bengal Chatkal Mazdoor Union, an organisation of jute workers, continues to maintain a tough stand on layoffs. "Manpower reduction cannot be part of the jute modernisation scheme. We will fight the scheme tooth-and-nail as long as even one worker loses his job," says Ghosh. But by and large, the days of fiery, obstreperous leaders who deliver all-or-nothing demand notices to managements are over.

Businessmen haven't been slow to take note. Even as the political leadership was busy altering the state's anti-business image, the Birlas, Goenkas and others began singing hosannas to the newly-fashioned pragmatism of the Left Front government. In meetings and seminars organised by chambers of commerce, industrialists have been at pains to underline that West Bengal no longer figures on their blacklist. At a seminar in February on "Prospects of Industrial Development in West Bengal," Rajive Kaul (quoted earlier) gave the state a clean chit. "West Bengal today is politically stable and the instability of the early seventies is now a thing of the past. The industrial relations scenario has improved considerably," said Kaul

... the unions today are righting some of the irresponsible policies followed earlier

— Lal Bahadur Singh,
Intuc leader



It is, of course, quite another matter that this pat on the back has not yet led to a flurry of investments in West Bengal, as Jyoti Basu was betting it would.

One thing, though, is certain. The state's communists and industrialists who made strange bedfellows four years ago, have allowed the relationship to blossom into a full-fledged marriage of convenience. And the most visible impact of this marriage has been on the labour front. The state no longer feels that labour needs any nannying and is leaving the latter to fend for itself more often these days. The result: a rash of bipartite agreements on terms that can hardly be called well-balanced. In the jute sector, workers and management have either concluded, or are in the process of concluding, bilateral agreements. (Among them: New Central Jute, Delta Jute and Ganges Jute.) The engineering sector too may follow suit soon with GKW, Macneill & Magor and Metal Box leading the way. It appears as if the Left Front government is following a policy of non-interference in most labour dis-

BENGAL'S JUTE WORKERS: WANING MILITANCY

NATIONAL UNION OF JUTE
INTUC

"OUR AIM IS TO STRIKE A BALANCE"

Shanti Ranjan Ghatak, the West Bengal labour minister, spoke to BusinessWorld *about the policies of the state government. Ghatak, a prominent labour leader of the state, has been actively associated with unions in the jute and engineering units dotting the northern outskirts of Calcutta. Excerpts from the interview:*

■ On the present labour policies of the state government.

The Left Front is committed to the cause of peasants and workers. The basic thrust of our policy, naturally, is aimed at safeguarding the interests of these sections. At the same time we would like to protect industry and help increase its output. Our aim is to strike a balance between their interests and (those of) the workers.

Our (labour) policy has evolved over time, but so far as the basic thrust is concerned there has been no significant change. Also, there is now a new trend (among labour organisations) of launching joint movements that cut across party lines. The recent wage increase negotiations for jute workers are one such example.

■ On whether the present policies take the current economic and political realities of the state into account.

West Bengal was (sometime back) passing through a difficult phase. The Left Front has, however, managed to remove two of the most serious problems that slowed down investment earlier: power and industrial relations. To that extent our present labour policies have helped.

■ On whether the state government favours bipartite agreements between workers and management.

There is no hard and fast rule. We are using a combination of bipartite and tripartite approaches. The solutions are really arrived at on a case-by-case basis. If the unions would like to resolve their disputes (with management) bilaterally, why should we stop them? But major disputes, such as the recent strikes in the jute and engineering industries, naturally have to be settled through tripartite means.

■ On how the state government would deal with the disputes relating to Gramophone Co. of India, Macneill & Magor and Metal Box.

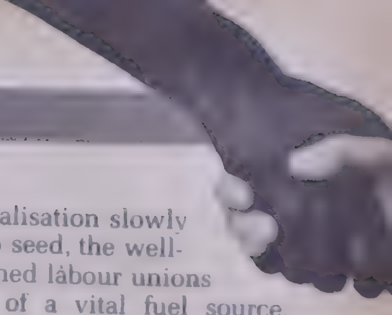
The Gramophone Co. case has not yet come to me. In the case of both Macneill & Magor and Metal Box, it is too early to predict the outcome, but tripartite agreements cannot be ruled out.

■ On how he explains the drastic drop in the number and duration of strikes (from 206 strikes in 1977 to 30 in 1987) whereas the duration of lockouts has risen.

I cannot confirm the accuracy of these figures, but broadly speaking they show that workers do not have to go on strike as often as they had to earlier. When they do strike work their demands are met quickly, so that there is no need to continue with the strike. As for the long duration of lockouts, the owners are responsible. In their lockout notices, they cite labour indiscipline as the reason, but then during negotiations they make unacceptable demands such as (the imposition of a) wage freeze, manpower reduction, etc. This naturally delays a settlement and, therefore, the lifting of lockouts.

■ On the state government's response to reports that last year the workers of Ganges Jute Mill had invested Rs. 2,500 each from their PF accounts to reopen the mill.

I don't think that these reports are accurate. There may have been a proposal (to this effect) but the workers must have turned it down. There is no question of the Left Front government supporting this sort of settlement.



putes, encouraging the unions to settle their grievances bilaterally.

The message apparently has sunk home pretty well. Unions are now thinking twice before going on strike and even when they do end up in one, they run out of steam pretty soon. In 1977, the state saw as many as 206 major strikes; by 1986, the figure was down to 32. In the January-November period last year, barely 30 cases of strike were recorded.

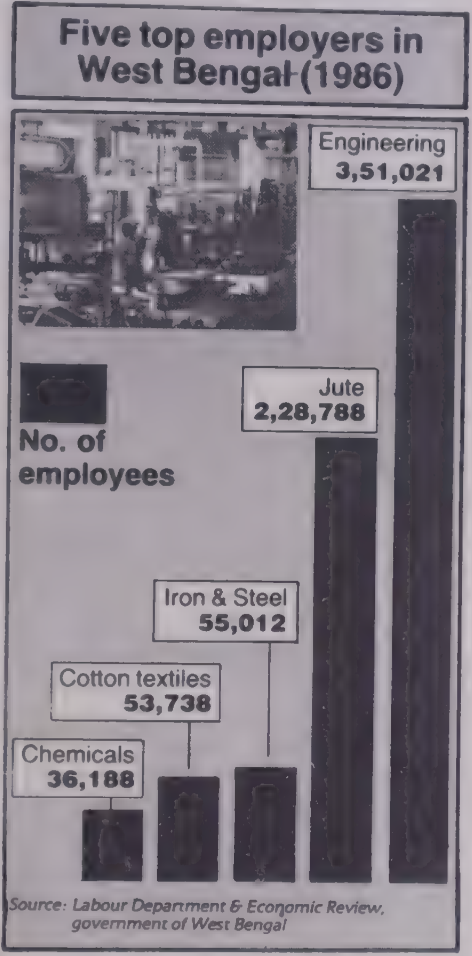
EMPLOYER MILITANCY

Employer militancy, on the other hand, hasn't waned at all: the number of lockouts has been steady around 200 in recent years. During the January-November period in 1987, only 7,700 employees were involved in strikes, representing a minuscule 0.4% of the total number of employees affected by industrial disputes that led to closure. The mandays lost on account of these strikes was a paltry three lakh, which works out to 1.4% of the total mandays lost. In other words, 98.6% of the mandays lost was due to lockouts.

Some more telling statistics: In 1986, strikes lasted 11.8 days on an average, down from the 1980 average of 21.7 days. Lockouts, on the other hand, have begun to stretch longer. In 1986, the average spell of lockout lasted 117 days, almost three times the 1980 figure of 40.2 days. The boot is now clearly on the other foot.

The figures also indicate that the state government may be looking the other way when employers get tough with their workers. It is difficult to conclude otherwise since states have enormous powers to declare lockouts illegal. When Metal Box declared a lockout at almost all its units, the Haryana government, under whose jurisdiction the Faridabad unit of the company falls, went to court arguing that the lockout was illegal. In contrast, the West Bengal government has chosen to stay off the dispute in its bailiwick.

Even if the state government is assumed to be staying neutral, that surely is a signal to the employers to go ahead with their own solutions to the problem of industrial relations. Few people, however, have rushed in to condemn the Left Front government for its abandonment of the working class. The Congress (I) leader and general secretary of the West Bengal Pradesh Trade Union Congress, Lal Bahadur Singh, for example, feels that the government's attitudinal shift was long overdue. "Trade union movements cannot be isolated from the overall economic climate. The leftists have perhaps realised that the capacity of employers in West Bengal (to pay workers) has reduced so much over the years that militancy is going to be counter-productive." Singh, of course, still does not foresee the emergence of an overall conciliatory policy framework that will be consistently applied by the Left Front government. "The approach is still case-by-case," he says.



Five top employers in West Bengal (1986)

Source: Labour Department & Economic Review, government of West Bengal

In the unions' camp, the change is real, but outward militancy still retains a charm of its own. "Perhaps all the unions today are righting some of the irresponsible policies followed earlier. But nobody can (afford to) shed the anti-employer stand for fear of being labelled a collaborator," says Singh.

FUEL SOURCE SAPPED

Collaborators or not, there is no gainsaying that unions are definitely less militant today in a state that was among the first to be industrialised and where the trade union movement has grown its deepest roots. With that early industrialisation slowly going to seed, the well-entrenched labour unions ran out of a vital fuel source. Explains Singh: "The genesis of the present situation goes back to the early years of industrialisation when labour rates were cheap and employers hired hands freely. But in the late sixties, when West Bengal entrepreneurs started lagging in the field, they found that on top of obsolete machinery and technology, they were saddled with huge labour costs." One could do something about the first but what about the second, especially when the unions' hackles were raised the moment they heard the words "retrenchment" or "rationalisation"?

The inevitable happened. Factories closed down, capital flew out of the state and given the other stifling factors — such as power shortage and intractable labour unrest — a process of deindustrialisation set in. "The situation has aggravated so much over the past 10 years that there is just not enough scope for the unions to put pressure. In fact, in some cases the workers resent strike calls, accepting almost whatever conditions the managements set for reopening closed factories," says Singh.

J.P. Chaudhari, managing director of Titagarh Steels Ltd., and the chairman of the Wage Negotiating Committee of the CEI (Eastern region), says "Labour militancy can go only up to a certain extent. The writing has been on the wall for quite some time now. The limit was reached when industries started to turn sick. The earlier suspicious attitude began disappearing when unions realised that no businessman wants to keep his unit closed for long since the fixed cost incurred during that period is a dead loss."

The unions are hearing more such arguments these days. In the Gramaphone Co. of India (GCI), the management has proposed to axe 600 jobs over and above the 550 who retired voluntarily in 1982. The idea is to bring down the staff strength from a peak of 1,800 to a third of that level. The situation in GCI may be a typical one, reflecting the realities in other large units. The company's leftist unions have been demanding a redeployment of the existing staff specially since the R.P. Goenka-controlled sister company, Phillips Carbon Black, is promoting a separate unit to make compact disks

The management, however, is firm

"TRADE UNIONS IN WEST BENGAL ARE MATURE ..."

Rajive Kaul, the articulate president of Calcutta's Indian Chamber of Commerce spoke to BusinessWorld on West Bengal's present industrial relations climate. Excerpts:

■ On whether there has been a change for the better on the labour front.

Yes, since 1977, with the advent of the Left Front government, the industrial relations scenario in the state has improved considerably. In recent times, trade unions in West Bengal have rarely violated the terms and conditions laid out in any agreement. In any business, differences between labour and management are bound to occur. In most such cases in West Bengal, these have been sorted out amicably.

Gheraos have become a thing of the past. The number of mandays lost due to strikes has declined considerably over the years. In 1975, 107.8 lakh mandays were lost due to strikes. The corresponding figure in 1985 was only 2 lakh mandays.

■ On the attitudes of unions towards rationalisation proposals.

Some trade unions have accepted wage freezes and voluntary retirement plans in the long-term interests of the company and the economy.

Trade unions in West Bengal are mature and have realised that companies are affected by environmental conditions. The labour rationalisation plans which they have accepted are in their overall long-term interest.

■ On whether the higher incidence of lockouts is a measure of management strength *vis-a-vis* labour.

Companies have to resort to lockouts due to environmental reasons. A large number of lockouts in West Bengal have occurred because of the recession in the market. I really do not think that this bit of statistics can be interpreted as employers being in a stronger position to bargain.

■ On whether employers in West Bengal are in a position to pay workers better.

Most managements would like to give the best possible deal to their employees under a given set of constraints. So this question doesn't arise.

■ On the importance of bilateral wage agreements.

With the environment affecting individual companies differently and with employers taking recourse to participative management, there is such a possibility. But successful settlements, whether bipartite or tripartite, with the right emphasis on productivity, will improve the economy of the state.

on payroll cuts. The reason: more than 500 people were reportedly given employment under duress, first under the Congress regime and then when the Left Front assumed power. Such forced recruitments might have been tolerated earlier when record sales fetched fabulous profits for GCI. But with pirated cassettes swamping the music market, GCI is among the most affected with its heavy labour overheads. The reckless policy of forcing the management to employ more people when the going was good has now returned to haunt the unions. With little to lose, the management is driving a hard bargain. If it succeeds, others similarly placed may be tempted to do the same. In Titaghur Paper Mills, for example, some 500 people each are said to have been forcibly employed in two of its units under political pressure. Labour rationalisation is a key element in solving this sick paper company's problems.

Similarly trapped between a vanishing market and high-cost outdated operations are the 56 jute mills of West Bengal, employing more than 2.25 lakh workers — officially, that is. Lal Bahadur Singh estimates that some 85,000 workers have been retrenched since 1977, "but neither Intuc nor Citu has bothered to put up any effective protest." Niren Ghosh, president of the Bengal Chatkal Mazdoor Union, of course, has consistently maintained that his union would oppose tooth-and-nail the Rs.250-crore jute modernisation scheme if that leads to retrenchment. Still, the fact is jute mills have been able to impose some of the most unheard of conditions on workers while reopening their mills: pay cuts, retrenchment and, most startling of all, getting the workers to stake their own money in revival schemes.

Last year, after the workers of Ganges Jute saw little chance of a tripartite settlement, they accepted their employer's proposal for deferring bonus,

> ***Jute mills have been able to impose some unheard-of conditions on labour: pay cuts, retrenchment and getting the workers to stake their own money in revival schemes***

BENGAL CHIEF MINISTER JYOTI BASU ADDRESSING CITU CONFERENCE

agreed to a three-year freeze on dearness allowance, and indicated a willingness to offer their company Rs.2,500 each from their provident fund accounts. Chaudhari of the CEI feels that this is a welcome development and hopes that other "millowners will see this as a wonderful gesture on the part of workers."

UNFAIR ADVANTAGE

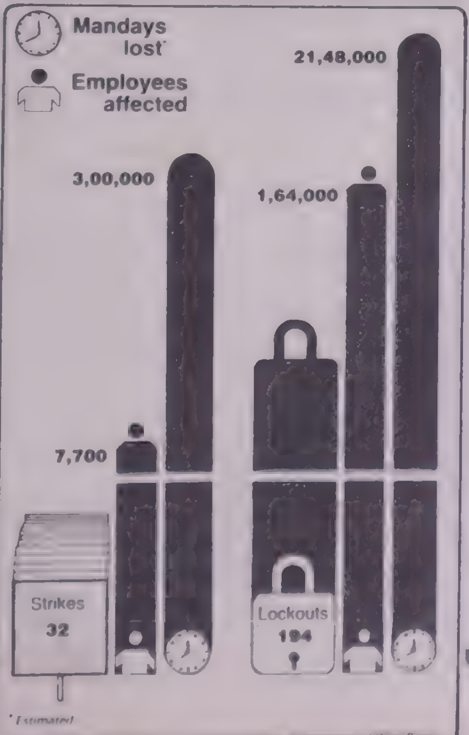
Surprisingly, this development has drawn more flak from sections of industry than from labour. The Indian Jute Mills Association, for one, wasn't quite amused to see one mill after another sealing such agreements with their unions. IJMA president M.D. Poddar, a trifle disturbed over the fact that these agreements bypassed the association, wonders aloud as to whether these agreements confer an unfair cost advantage on these mills over the others. Agreeing with him is none other than the Union textiles secretary, Shiromani Sharma, who feels that distortions in the cost structure may lead to a fresh bout of sickness.

Problems such as these are bound to occur during a transition period. And while tripartite, industry-wise agreements impose a sort of uniformity, that uniformity might itself be the cause for a different set of problems. A case in point is the recently concluded engineering industry wage agreement that brought an end to a 46-day strike. On an average, the pay rise agreed was about Rs.80 per worker but many large and small units are yet to implement the accord. Lal Bahadur Singh estimates that "about 50% of the units are not paying the increase, including big companies such as Bhartia Electric."

Chaudhari hopes that the wage accord will be implemented sooner or later. "It may be that some of the employers are trying to iron out some wrinkles peculiar to their units," he surmises.

If the name of one such wrinkle happens to be "productivity" then it is perhaps a welcome development. But some trade union leaders vehemently oppose linking wage agreements to productivity even in labour-intensive sectors like jute. In the recently concluded jute industry wage pact, the workers of the government-owned National Jute Manufactures Corporation (NJMC) gave an undertaking that they would almost double productivity per worker, but nobody is betting that the management will be able to enforce more than a marginal change.

Strikes and lockouts (January-November 1987)



* Estimated

Source: Labour Department & Economic [illegible] West Bengal

NJMC's case illustrates, for the umpteenth time, what a damper on efficiency nationalisation has been. But nationalisation has also served to postpone and hide a natural process of evolution in industrial relations. One major reason for the rash of bilateral settlements in the jute industry is the realisation that the government is not going to bail out the sick units by having them join its dole queue. "The present change in labour-management relations should have started 15 years ago, but nationalisation had reduced the shocks then, resulting in greater shock waves now," says Chaudhari. Concurs Lal Bahadur Singh: "Public sector units breed inefficiency and at the same time foster high wage islands. They hinder smoother industrial relations."

SUNNIER WEATHER

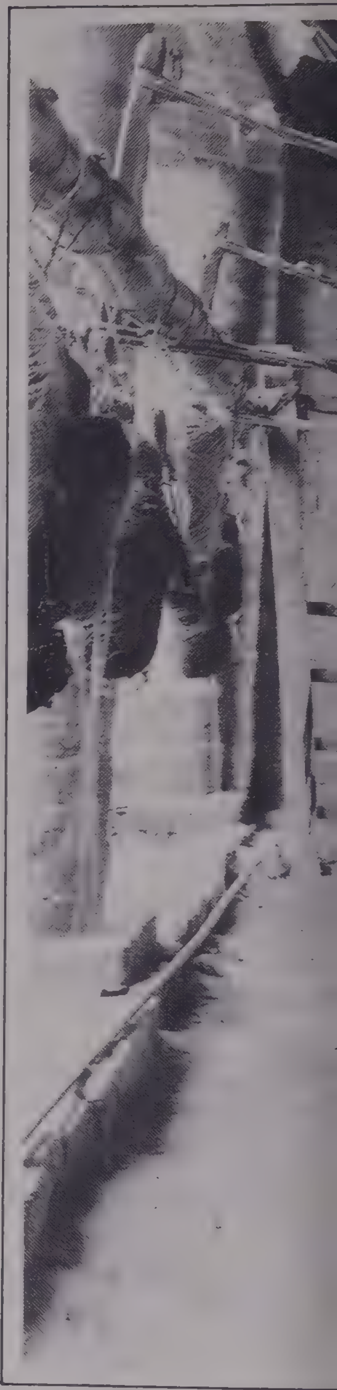
The barometer already indicates sunnier weather on the industrial relations front. Optimists like Chaudhari see the dawning of a "corrective phase". Chief-minister Jyoti Basu himself is asking the unions not to reject the trend towards automation and voluntary retirement schemes out of hand. Argues Bhattacharya of Macneill & Magor: "Golden handshakes are not anti-labour. It involves substantial investment of working capital. The unions, in time, may see it as an investment in human resources, as important as an investment in machines."

That there is a distinct shift in the thinking of the state's political leaders vis-a-vis labour issues is undeniable. They concede — at least in private — that businessmen must have more flexibility if they are to generate more wealth. Are Indian businessmen prepared to exploit this new-found flexibility for the best interests of both their enterprises and the working class?

■ *Debashis Basu*

The day is drawing to a close in Shahjahanpur, Uttar Pradesh. Sitting at one of his largest looms, Abdullah leans back to scrutinise his handiwork. On the semi-finished carpet, the pattern is coming alive; and in his eyes is the craftsman's gleam of pride. As he tucks one last loose thread into place, his thoughts go back to that day in 1977 when ITC's Triveni Handlooms came to his help...

Abdullah of Shahjahanpur. Even the skills inherited from his forefathers weren't getting him two square meals a day. Until ITC established Triveni Handlooms and gave his talent a new lease of life.



Carpet finishing careful scrutiny before export

The skills passed down to the weavers of Shahjahanpur were languishing. No encouragement was at hand, no market existed for painstakingly created carpets.

To inspire the revival of this traditional craft, ITC established Triveni Handlooms. Under the dedicated care of Colonel Prem Sahgal (of INA fame), Triveni helped provide raw materials and technical advice to the talented but poor weavers.

From 35 looms in 1977, there are over 400 today. Wages have multiplied from Rs 4 to Rs 150 per sq.ft. and the quality of product has improved impressively. All the carpets are exported by Triveni to earn more than Rs 80 lakhs in foreign exchange. Over 2500 weavers are now earning more, living better, saving for the future.

And providing ITC with the satisfaction of assisting an important cottage-sector industry.

ere else is ITC working for India and its people ?

-industry: ITC's technological expertise, gained from decades of R&D in seed -lopment, is now being transferred to produce oilseeds. The manufacture and keting of edible and non-edible oils will help reduce imports and aid .sands of farmers.

ily Health and Welfare With the distribution of millions of Nirodh raceptives through a far-flung marketing network, ITC helps educate rural folk ut the advantages of a small, well-spaced family.

an Classical Music: At the Sangeet Research Academy in Calcutta, tradition ried to technology keeps alive the *guru-sishya parampara.* Through Sangeet melans around the country, ITC is rekindling interest in classical music

I.T.C. Limited

VADILAL'S GIANT SCOOPS

FRESH SUPPLIES ON THEIR WAY

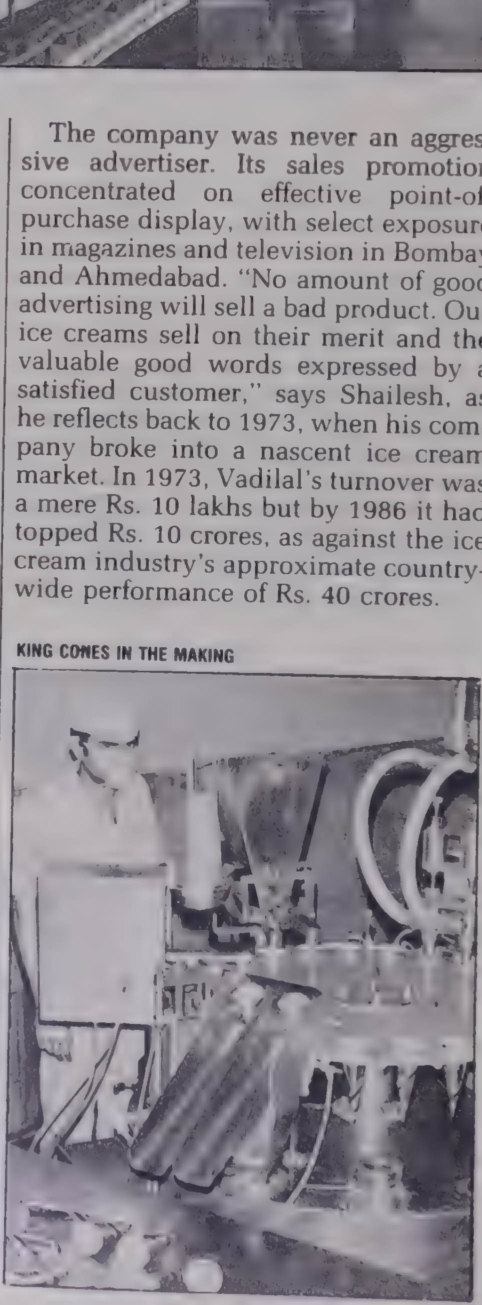
It's a scream. That is, Vadilal's ice creams. How else does one react to the rapid growth of Vadilal Ice Cream Pvt. Ltd., which has virtually become the uncrowned king of ice creams in western India?

"Our products sell because we make them readily available, says Shailesh Gandhi (27), director (marketing), explaining his company's marketing success. Behind this modest statement lies an effective marketing strategy — mass retailing and efficient distribution. The company's 50 different varieties of ice creams are routed through a chain of 2,390 exclusive retail outlets. Of this, there are 1,800 retail outlets in Gujarat (720 in the small towns and rural areas, and 800 in Ahmedabad alone), 210 in Bombay, 90 each in Pune and Nasik, and some 200 selling points spread out in Rajasthan. This combination of mass retailing and an effective distribution network has helped Vadilal carve out a massive chunk of the ice creams market in the major cities of Gujarat (75%), Bombay (30%) and Pune (40%).

Supporting these outlets is a fleet of vans carrying fresh supplies from Vadilal's only plant in Ahmedabad. Ten refrigerated vans and three light commercial vehicles ply every fifth day from the company's plant to the various outlets in Maharashtra and Rajasthan. Outlets in the Ahmedabad district receive supplies every three days. Dispatches against outstation orders are made on the very same day the requisitions are received, while local orders are actualised every day before noon.

The company was never an aggressive advertiser. Its sales promotion concentrated on effective point-of-purchase display, with select exposure in magazines and television in Bombay and Ahmedabad. "No amount of good advertising will sell a bad product. Our ice creams sell on their merit and the valuable good words expressed by a satisfied customer," says Shailesh, as he reflects back to 1973, when his company broke into a nascent ice cream market. In 1973, Vadilal's turnover was a mere Rs. 10 lakhs but by 1986 it had topped Rs. 10 crores, as against the ice cream industry's approximate countrywide performance of Rs. 40 crores.

KING CONES IN THE MAKING



Industry ratings. The crucial factors in this giant scoop were unique product formulations and pricing strategies. Vadilal's ice creams are 100% vegetarian and do not contain gelatine or egg solids; two new flavours were introduced every month in 1986. A recent addition is a natural ice cream with no artificial ingredients, while a special delicacy for diabetic people is in the offing. When asked to rate his company's position on an all India level, Gandhi says, "There is no recognised manufacturers' association both at the state and national level. Thus industry statistics are inadequate and unauthentic. We are groping in the dark and it will be difficult to assign a national rank to the company, although our supremacy in western India is unquestionable."

His dilemma over the statistics relating to total national ice cream production is justified in view of the conflicting picture presented by various data sources. NDDB statistics for 1986 suggest a 0.7% utilisation of the 44 million tonnes of milk produced by India for the manufacture of ice creams. It is also believed that one litre of milk combined with other ingredients like sugar, emulsifiers, etc., gives about two litres of homogenised and pasteurised ice cream. Even if half the total amount of ice cream made in the country was produced in the organised sector, the derived national production in 1986-87 will be around 3.08 lakh tonnes in that sector alone!

In contrast a leading private economic consultancy organisation has put the all-India ice cream production figure for 1984 at 9,000 tonnes, which would be around 10,300 tonnes for 1986, presuming an annual growth rate of 7%. In comparison, Vadilal's total production in 1986 was about 2,550 tonnes, equivalent to 24% of that year's national production. This appears plausible because in that year Ahmedabad city itself consumed 1,160 tonnes of ice cream of which 870 tonnes were supplied by Vadilal.

Can this company, with distant plans for franchising, with no desire to go public and growing at a rate of 15% per annum in sales turnover, scoop out its niche as the uncrowned king of all Indian ice creams?

■ *Seema Saxena*

OTIS ELEVATOR

BONUS ISSUE LIKELY

There are good tidings for the shareholders of Otis Elevator Co. (India) Ltd., a Fera company engaged in the manufacture of elevators and excavators. The company is doing quite well in the current year ending 30th November 1988 and the management is most likely to consider a bonus issue while finalising the accounts in the first quarter of 1989.

Having achieved a 31% growth in sales and a 27% improvement in earnings in 1986-87, the company (in which the US-based Otis Elevator has a 56% stake and the Mahindra group 22%) is doing still better this year. If the orders position on hand and fresh orders during the first five months (December 1987 to April 1988) is any indication, sales turnover for the whole year is likely to reach Rs. 70 crores and the profit at gross level will cross the Rs. 10 crore mark.

What is more, the company's reserves will shoot up to around three times its equity capital — after taking into account the premium of Rs. 2.85 crores that the company will get through its rights issue. Thus the management will have no difficulty in issuing bonus shares. Such a gesture will justify even the very high premium of Rs. 90 per share being charged by the company for its rights issue.

The outlook for the coming years is all the more promising as the company is embarking upon a Rs. 12 crore expansion programme to raise its production capacity from 1,396 lifts per annum to 2,800 lifts within the next three years. The company's sales will swiftly cross the Rs. 100 crore mark with the implementation of this plan.

GABRIEL INDIA

UNEXCITING OUTLOOK

The current year (1st December 1987 to 30th November 1988) outlook for Gabriel India Ltd., the Anand group company engaged in the manufacture of automotive components, is far from exciting.

First, there has been a sharp increase in raw material costs. Steel, copper, lead and tin have all become more expensive due to enhanced administered prices by the government. It will take some time before the company is able to pass on the increased financial burden to its customers.

Again, the performance of the shock absorbers division was adversely affected in the first few months of this year because of a prolonged lockout at a plant of one of the division's largest customers.

However, the adverse impact of these two developments will be neutralised with the commencement of the strut project from next month. The company will manufacture McPherson struts for cars, a letter of intent for which has already been received from Maruti Udyog, for use in its cars and vans. At the same time, the company has developed a new range of engine bearings and bushes, the supply of which will commence from next month.

Thus, the overall performance of the company during the current year will not be much different from the one registered last year.

SHREE CEMENT

DISCOURAGING PROSPECTS

Shareholders of Shree Cement Ltd., who have not got a return on their investment for the past nine years, will have to wait at least one year more before they can hope for a dividend.

During the year ended 31st December 1987, the company had incurred a loss of Rs. 1.30 crores at the net level, in striking contrast to a net profit of Rs. 1.31 crores in the previous year (1986). Prospects for the current year are also not encouraging on account of power shortage and the current cement glut. A number of large plants have been diverting non-levy cement to north Indian markets, particularly Rajasthan where the company's unit is based, that too at a time when the demand is very slack.

Of course, the company will benefit this year to some extent because of the reduction in excise duty on cement by Rs. 20 per tonne and the hardening tendency in free sale cement prices. But this is still not expected to lead to any sizeable surplus.

The long-term outlook for the company, however, seems to be encouraging. It has undertaken a Rs. 10.25 crore modernisation programme which will lead to a reduction in costs besides augmenting the production by about 10%.

Companies this fortnight

(Rs. crores)

	Shree Cement (year ending December)			Otis Elevator (year ending November)			Gabriel (year ending November)		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
Sales	28.15	66.72	72.75	35.37	41.51	54.28	22.13	25.63	39.78
Gross profit	3.54	6.56	5.42	7.45	6.85	8.71	3.06	3.41	5.07
Paid-up capital	15.29	15.35	15.35	5.04	5.04	5.04	2.64	2.64	2.64
Reserves	0.17	1.32	0.02	5.35	7.05	10.38	2.39	3.10	3.33
Gross fixed assets	56.56	64.03	65.59	10.64	11.93	12.48	12.34	13.51	15.35
Dividend (%)	Nil	Nil	Nil	20.00	22.50	25.00	10.00	10.00	18.00
Earnings per share (Rs.)	0.11	0.70	−0.80	5.35	5.63	7.58	1.76	3.53	2.65
Paid-up value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on 28th April 1988 (Rs.)			10.00			167.50			17.00

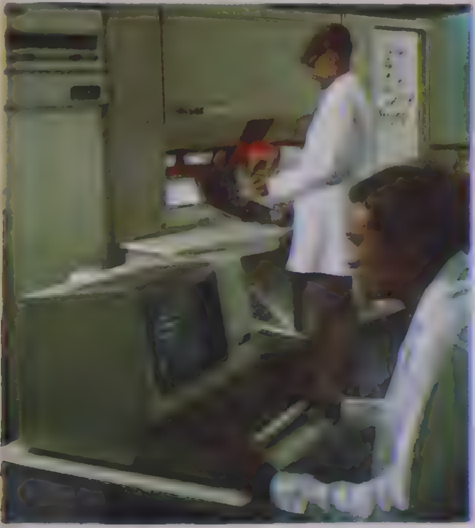
It takes an innovator to mee

BAR & ROD MILL
Pass Life Details
PASS USED
PARTLY USED

omorrow's challenges today

It takes TISTECH

It takes more than new generation equipment to solve the problems of tomorrow. Because any vision of the future must be based on the experience of the past.



The XRF in the LD Lab

From steels for railway tracks and armoured cars during the Second World War to today's clean and ultra-clean steels and epoxy coated sheets, a whole range of new generation special steel products bears testimony to Tata Steel's consistent capability to anticipate and match the country's growing needs.

A spirit of self-reliance has motivated the Company to evolve a truly Indian steel technology. Innovating new processes based on indigenous resources. The TISCO Direct Reduction process for manufacture of sponge iron. The electro-flux refining process. The T-Stop slide gate refractory technology, the only one of its kind in India. Tata Steel's research and development programme has to its credit a number of significant successes.

Today, an on-going modernisation drive is keeping an innovative and extensive research centre fully updated. The most advanced radio-isotope lab, creep lab and ultra-modern non-destructive testing facilities are supporting sophisticated research and development drives as Tata Steel is concentrating on newer issues.

Electronic Department-masterminding computer aided processes

Concern for energy. Concern for ecology. Concern for dwindling natural resources. All this is leading Tata Steel to explore a more efficient steel technology for the future.

The Creep Lab at the R&D Centre

And this is how Tata Steel is transforming itself.

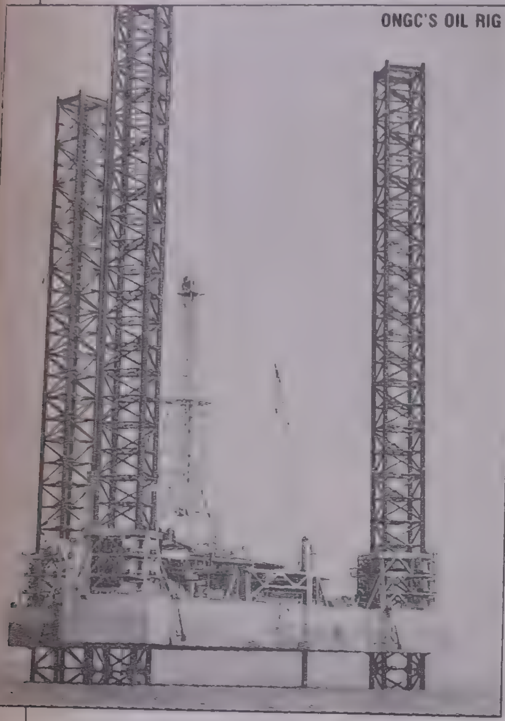
Because TISTECH is more than just modern plant and equipment. TISTECH is technology given the experience that spans eight decades. TISTECH is the attitude that masters the challenges of growth and change.

TATA STEEL

The first and still the foremost

ONGC

IMPRESSIVE RESULTS



ONGC'S OIL RIG

Impressive increases in productivity, improved efficiency in operations and cost-control measures have resulted in ONGC notching up profits after tax of Rs. 1,505 crores during 1987-88. Crude oil production has been 27.91 million tonnes (about 28 lakh tonnes higher than targeted for the year). Gas supplies soared nearly 17% recording 5,880 million cu m, while LPG production spurted by almost 59,000 tonnes. ONGC is likely to contribute Rs. 3,258.37 crores to both the central and state exchequers during 1987-88. With as many as 10 new oil and gas discoveries, the future augurs well for production from the Daman offshore, Krishna-Godavari offshore, Cauvery basin and Tripura.

ONGC has also successfully commissioned its third LPG plant at Hazira with a capacity of 1.8 lakh tpa, to service nearly 7 lakh new LPG connections. The 18 additional rigs inducted into the ONGC fleet, take ONGC's total rig count to 118.

GNFC

NEW RECORD

Undaunted by the market glut — the cumulative effect of three years of drought accentuated by heavy fertiliser imports — the Gujarat Narmada Valley Fertilisers Co. Ltd. (GNFC), Bharuch, is en route to creating new records. During April 1987 to March 1988, GNFC recorded actual production of 6,59,515 tonnes of urea, 4,33,679 tonnes of ammonia and 16,307 tonnes of methanol, overshooting all targets. According to unaudited financial results for the six month period ending 31st December 1987, GNFC earned a net profit of Rs. 13.39 crores *cf.* Rs. 18.67 crores for 1986-87.

KLOCKNER WINDSOR

SILVER JUBILEE BONUS

Klockner Windsor India Ltd., which has just completed 25 years, has reported improved results for the year ended 31st December 1987, with sales spurting by 49%. The gross profit margin improved from 13.6% to 15.5%. In spite of increased depreciation due to expansion and modernisation, profits before tax registered a significant rise, while profit available for appropriation was Rs. 177 lakhs *cf.* Rs. 79 lakhs in the previous year. The directors of the company have recommended a dividend of 21% (including a special 3% dividend to celebrate the Silver Jubilee year. The company also declared a bonus of one equity share for every two held (the public issue of equity shares and debentures was floated only in June 1986).

SBI

EXCELLENT PROFITS

India's largest commercial bank, State Bank of India has recorded impressive profits of Rs. 45.51 crores in 1987. For the first time, deposits of the bank crossed the Rs. 25,000-crore mark to reach Rs. 25,564 crores. Growth in bank advances, at Rs. 16,268 crores (a spurt of 13.8%) was higher than that achieved by all scheduled commercial banks in 1987.

Total advances to the agricultural sector amounted to Rs. 3,113 crores spread over 57.1 lakh accounts in the year. This financing goes towards dryland farming, drip irrigation systems to optimise use of water, wasteland development under social forestry schemes, and the modernisation and the technological upgradation to raise farm productivity.

Assistance to small scale industries, cottage and village industries reached a new high with 7.7 lakh borrowers getting assistance to the tune of Rs. 2,898 crores. SBI Capital Markets Ltd. held its lead as the prime merchant bank in the country, having managed 65 issues raising an aggregate of Rs. 306 crores. The SBI Mutual Fund's Magnum Regular Income Scheme successfully raised Rs. 144.7 crores against a targeted Rs. 100 crores.

RELIANCE

WHOPPING DIVIDEND

Reliance Industries Ltd. has announced its results for the 15-month period ending 31st March 1988. Further, the company has changed its accounting year to 30th June 1988. The sales turnover during the 15 months was Rs. 1,323 crores *cf.* the Rs. 904 crores chalked up in 1986. Gross profit amounted to Rs. 117 crores (Rs. 75 crores) and net profit was Rs. 70 crores (Rs. 14 crores). The company has announced an interim dividend of 30%, which will claim Rs. 30.61 crores.

According to a company communique, prospects for the next year are more encouraging. The paraxylene project is expected to be completed by mid-1988. It has also promoted Reliance Petrochemicals Ltd. to manufacture MEG, HDPE and PVC in the first phase. Located at Hazira in Gujarat, the capital outlay for the petrochemical project is Rs. 700 crores.

PENNAR STEELS

AMBITIOUS PROJECT

Added to the steel sector is yet another company — Pennar Steels Ltd. — which will manufacture the much-in-demand cold rolled steel strips. Located in the Medak district of Andhra Pradesh, Pennar Steels has an installed capacity of 12,000 tonnes per annum of precision steel strips. The company has already reached 70% capacity utilisation in the first two months of its commercial production. According to its chairman, S. Samarapungavan, it is one of the most modern steel plants in India with sophisticated computer controls. Also, since the plant uses gas-fired furnaces instead of the conventional electric-fired furnace, it saves a great deal on electricity in power-starved Andhra Pradesh.

To meet the project cost of Rs. 10.4 crores, Rs. 213.5 lakhs equity capital has been provided by the promoters and the Andhra Pradesh Industrial Development Corporation. Term loans from financial institutions amount to Rs. 694.50 lakhs. The balance Rs. 132 lakhs has been offered to the public. The issue opened for subscription on 2nd May 1988.

BAYER INDIA

ENCOURAGING PERFORMANCE

On two fronts, the financial performance of Bayer India Ltd. for 1987 seems encouraging. The company's turnover went up 10.21% to Rs. 111.7 crores (*cf*. Rs. 101.35 crores for the year ended 31st December 1986). Gross profit registered a 7.4% increase at Rs. 12.02 crores. Profit after tax, however, fell by 17.4% to Rs. 4.4 crores (*cf*. Rs. 5.33 crores) primarily because of higher provision for depreciation at Rs. 4.13 crores (*cf*. Rs. 2.18 crores). The board of directors of the company has recommended a 16% dividend on an enhanced capital raised from the issue of bonus shares in the ratio of 1:1 during the year.

BHEL

MAJOR DEVELOPMENTS

The electronics division of BHEL, Bangalore, is to set up facilities for designing application specific integrated circuits (ASIC) which will then be fabricated in the US either through a tie-up with an existing firm or by establishing a joint venture possibly with non-resident Indians. The ICs will be marketed initially in the US because demand is low in India at present. An investment of Rs. 10-12 crores is contemplated on the project.

At a press conference in early April, A. Gavisidappa, executive director of BHEL, Bangalore, listed all the major developments of the company. During 1987-88, Gavisidappa said the electronics division has successfully developed a high voltage DC valve module, incorporating BHEL-developed thyristors, and controls for an experimental HVDC line between Barsoor in Madhya Pradesh and Lower Sileru in Andhra Pradesh for transmitting 100 Mw power over a distance of 160 km. BHEL will also manufacture valves, using its own thyristors, for the Rihand-Delhi project of NTPC. Facilities to manufacture thyristors up to a diameter of 100 mm, the largest available internationally, are being established in a phased manner in technical collaboration with Asea-Brown Boveri.

The electronics division is even setting up a Rs. 14 crore pilot project at Gurgaon near Delhi to manufacture amorphous silicon solar cells/modules, and has tied up with the Aeronautical Development Establishment, Bangalore, for the development and manufacture of simulators for various defence applications. The division has bagged a contract from the Karnataka Electricity Board for installing two sets of 15 Mw static frequency convertors — the largest to be installed in India — at the country's first hydro-electric station in Shivasamudram; it has also received Rs. 2.38 crores as grant-in-aid from the DOE for establishing a centre for the development of power semi-conductor technology at Bangalore.

Other significant developments include the introduction of new energy meters for special applications in power systems; fully automatic sequence control equipment for hydro-electric projects; automation of blast furnace 7 at the Bhilai steel plant by the industrial systems group, and the turnaround of the electro-porcelains division, which achieved record sales of Rs. 21.85 crores in the face of stiff competition.

LIC

RECORD POLICIES

Smiles are lighting up everyone's faces at LIC's offices. The insurance giant issued 47.4 lakh individual policies during 1987-88 to secure a record new business to the tune of Rs. 12,608.3 crores — a sizeable growth of 22.3% and 38.6% respectively over last year's figures. This is the highest recorded since LIC was established 32 years ago.

Aided by government policy, LIC chalked up 5,695 new group schemes during the year (*cf*. 3,936 in 1986), and its insurance policies covered 23.45 lakh new lives (*cf*. 13.47 lakhs) — a growth of 74%. If business flourishes in a similar manner this year, the smiles are bound to be wider at LIC.

ESSAR SHIPPING

EXPANSION PROGRAMME

At a time when most shipping companies are struggling to survive, the Bangalore-based Essar Shipping has come out with slightly improved results for the year ended 31st December 1987.

Income from charter hire and freight has gone up by 3.4% to Rs. 60.08 crores from Rs. 58.11 crores in the previous year. Net profit has also increased by 4% to Rs. 7.80 crores (Rs. 7.49 crores).

According to company sources, the gradual erosion in the value of the rupee against the other major currencies has affected all shipowners in India. Consequently Essar pre-paid two foreign currency loans aggregating Rs. 13.80 crores during the year in order to reduce the impact of foreign currency fluctuations.

Essar is now implementing a major fleet expansion programme costing over Rs. 140 crores. And in a major diversification effort into non-shipping activities, the company is setting up a huge Rs. 305 crore gas-based sponge iron manufacturing project at Hazira in Gujarat.

SEARLE INDIA

SERIOUS SETBACK

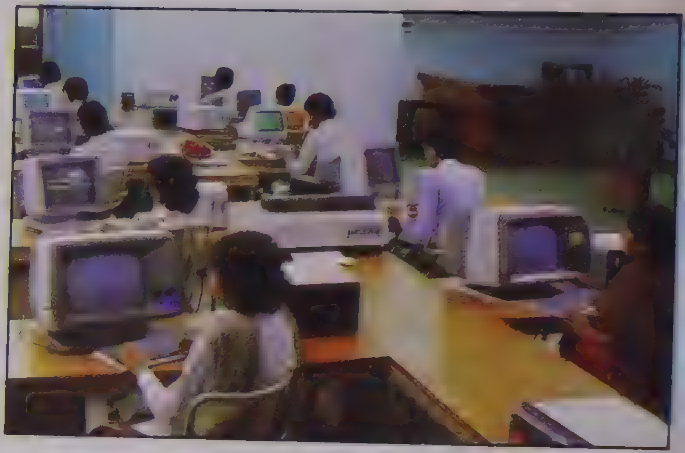
Searle (India), the Bombay-based R.P. Goenka group drug company, has suffered a serious setback in its performance for the year ended 31st December 1987. The company's sales declined by 14.8% to Rs. 35 crores from the previous year's Rs. 41.10 crores and net profit slipped in tandem by 18.9% to Rs. 2.54 crores (Rs. 3.14 crores in 1986). The directors have, however, maintained the equity dividend at 20%.

The poor performance of the company is attributed to many factors. Due to a demand recession in the international market, the company's exports fell from Rs. 5.36 crores in 1986 to a mere Rs. 3.93 crores in 1987. Also due to the drought in this country, the agro-chemical business was adversely affected.

However, the company's management is optimistic. The pesticides plant at Ankleshwar (Gujarat) was commissioned recently and the expansion of the chemical plant is nearing completion

Where would you imagine

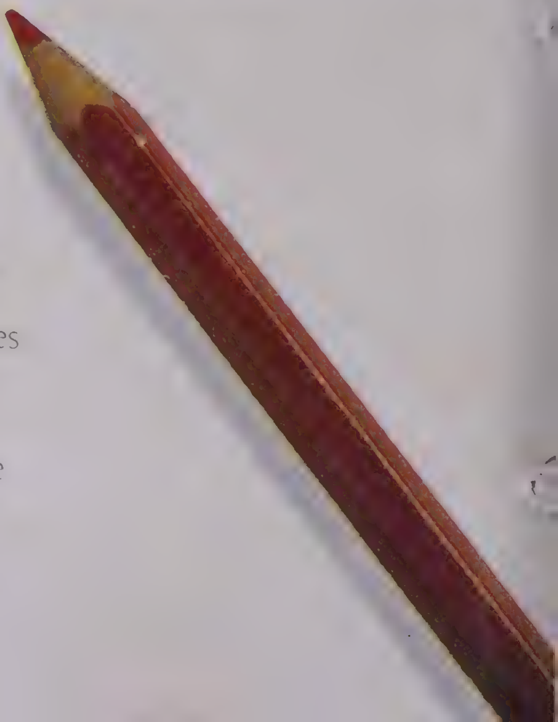
☑ STEEL MILLS?



☑ OFFICES?

☑ TELEPHONE EXCHANGES?

☑ HOMES?



Certainly, you'll find Nelco at home. In your Blue Diamond colour TV, radio and music systems.

But Nelco doesn't stop there.

In fact, Nelco is present in all the places you see above. And even more.

Nelco is engaged in the manufacture of as many as 10 electronic product lines.

An astonishing and admirable fact.

For no single electronic company in India has such manufacturing diversity and expertise in high-technology under one roof.

Except Nelco.

Nelco's achievement has not come about by accident.

Judicious planning, effective analyses and a deep understanding of Indian needs made Nelco grow in so many diverse areas of electronics.

Indeed, today Nelco is upfront in the field of electronics.

A company on the move.

A company that is alive to the many challenges that tomorrow is sure to bring.

Nelco's products are at work?

☑ HOSPITALS?

☑ BANKS?

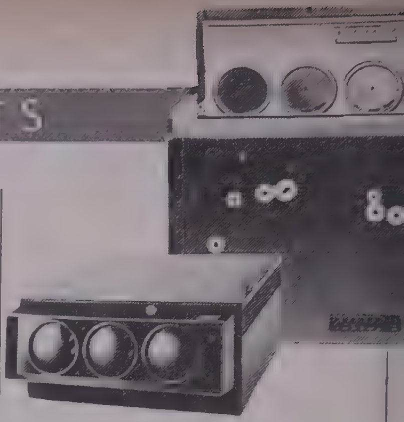
☑ INDIAN RAILWAYS?

☑ CHEMICAL & FERTILIZER PLANTS?

THE NELCO ACHIEVEMENT

In every sphere of its activities, Nelco stands committed to one unwavering goal-that of delivering products of quality and excellence. Products that rise from constant research. Products that use advanced and relevant technologies. With this philosophy, Nelco stands as a pioneer at the frontiers of India's electronic industry Leading the way into newer and more challenging tomorrows.

NELCO

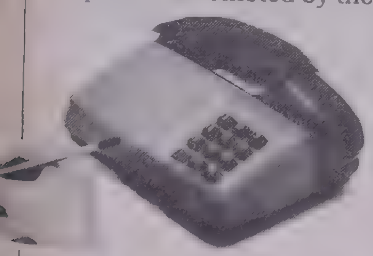


NEW PROJECTS

■ In a bid to keep pace with new developments in fibre optics, which is opening up new frontiers for telecommunications, the **Indian Institute of Technology** (Delhi) has negotiated a research collaboration with the University of Strathclyde, UK, and the British Telecom Research Centre. An 8.488 M bit/sec optical fibre telephone link has already been installed between two exchanges located 4.5 km apart in India. Now the effort is on to develop a 140 M bit/sec system.

NEW ISSUES

■ **Swede (India) Teltronics Ltd**., Bangalore, is entering the capital market on 11th May with a public issue of 15,19,000 shares of Rs. 10 each for cash at par to finance its Rs. 7.7 crore project to manufacture electronic push-button telephones. Promoted by the Karnataka State Electronics Development Corporation and K.C. Rajaram & Associates with technical assistance from the Sweden-based Ericsson Information Systems AB, Swede (India) has a licensed capacity to manufacture 5 lakh telephone instruments per annum. However, it will initially manufacture only 2 lakh units at its plant in Hoody village, which is 13 km from Bangalore.



Branded the Diavox TR-100, the telephone instruments made by Swede (India) incorporate sophisticated electronic circuitry which ensures clear voice transmission, while the electronic tone ringing device helps in the adjustment of volume. Besides, the decadic version of the Diavox TR-100 has an in-built memory with a capacity to store 23 digits, enabling users to redial the last number dialled at the push of a button.

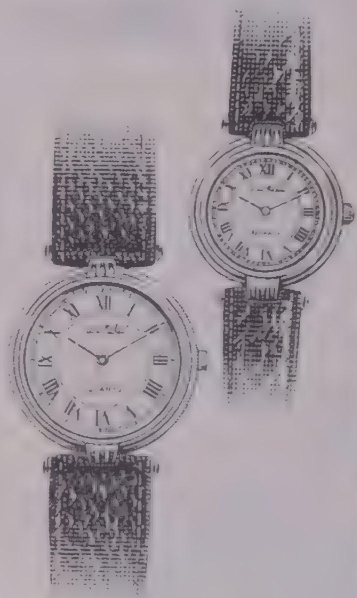
AWARDED

■ The Indo-German Chamber of Commerce has conferred its outstanding export performance award for 1987 on **Siemens Ltd**., which exported electrical and electronic products valued at Rs. 23.3 crores in 1986. Meanwhile, **Banaras House Ltd**., Delhi, has won the award for its outstanding contribution to the promotion of Indo-German economic relations. A leading exporter of traditional Indian goods, Banaras House's export turnover was Rs. 15.4 crores in 1986.

NEW PRODUCTS

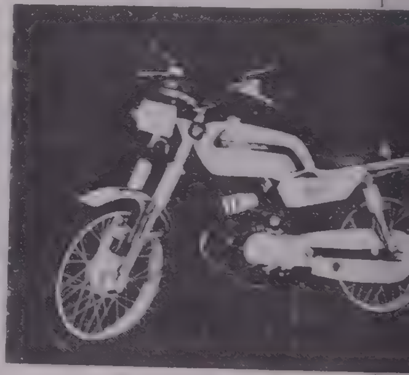
■ Come summer, and the pace at which thirst quenchers flood the market is more rapid than the speed with which the mercury rises. The Kalyani Black Label beer manufactured by the Mallya group affiliate, **Phipson & Co. Ltd**., is the latest brew to be marketed in Bombay. Priced at Rs. 14-14.50 per bottle, Kalyani Black Label has reportedly enjoyed 'phenomenal success' in Delhi, Calcutta, Madras, Hyderabad and other cities where it was launched earlier.

Imported yeast strain, hops and malt, a long maturation period at low temperatures and a slow fermentation process are believed to add a special flavour to this brand.



■ Good times are nigh as a new brand of quartz watches has entered the Indian market. Styled Saint Micheal, the watches are being manufactured with Swiss collaboration by **Goel Pvt. Ltd**. The quartz movements used in the watches are supplied by ETA, reportedly the largest manufacturer of quartz movements in the world.

■ The **Electronics Corporation of India Ltd**. (ECIL) is all set to project a new image. Apart from colour television sets, it has begun marketing video projection systems branded the EC-TV Spectravision, which are available in two models — the EC T-3000 and the EC T-3015. The high intensity projection pictures tubes in the Spectravision series help to magnify television pictures on to a white wall or silver screen with perfect clarity and resolution. These new systems can also be integrated with a video camera, VCR or video disk and can function on varied power sources. An audience of over 500 can be entertained or educated by these new audio-visual systems.



■ **TVS-Suzuki Ltd**. has zoomed into the market with its new 100cc motorcycle branded Supra. With a maximum horsepower of 9.65 bhp and a speed of 100 km per hour, the Supra is claimed to be "a sleek, stylised and powerful motorcycle."

■ **Cure-up Electronics Ltd.**, Calcutta, is marketing a self-operable acupuncture instrument branded the Acupulser. Equipped with a sharp, needle-like pulse in a vibratory, rotatory magnetic field, the Acupulser costs Rs.495. It is electrically operated, and helps in curing headaches, toothaches, etc.

DR. ABHIJIT SEN has been elected chairman, Chartered Institute of Management Accountants, UK — Calcutta centre.

K. DHARAM has been appointed managing director, National Organic Chemical Industries Ltd. Prior to this, he was president of the company having put in a stint of 21 years.

CHINUBHAI R. SHAH has taken over as managing director of GITCO Ltd., Ahmedabad. Till recently, he was vice president of Bhadrachalam Paper Boards Ltd.

WALTER E. VIEIRA has been elected president, Management Consultants' Association of India, Bombay.

SRINATH J. RAO has joined as vice president, Sujata Electronics Ltd., Bombay. Previously, he was with Philips India where he headed the regional operations.

G. A. VAZIRANI has been promoted to senior general manager (business development), Burroughs Wellcome (India) Ltd.

N. N. MAHAJAN has taken over as chairman, central recruitment board, the State Bank of India. He was, till recently, deputy managing director (international banking) of SBI, Bombay.

RITA CHAUDHURI has taken over as the head of Hindustan Thompson Associates, Madras. Formerly an accounts director, Chaudhuri is HTA's first woman general manager, and has been with the agency for seven years.

RAM S. RAMANATHAN has been appointed president and chief operating officer, Purolator India Ltd., Delhi. Prior to this, he was general manager (technical), Lipton India Ltd.

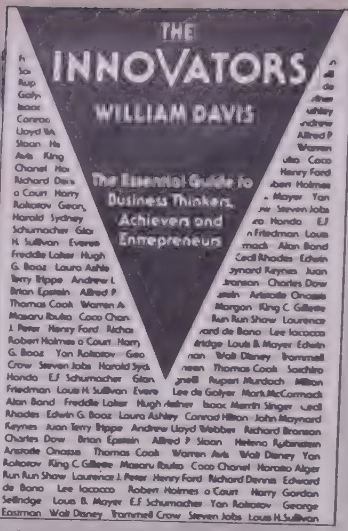
S. SAMPATH has joined as director (finance), IBP Co. Ltd. Earlier, he was working as director (finance), Mineral Exploration Corporation Ltd.

KRISHAN PREMNARAYEN has been unanimously elected as the president, Advertising Agencies Association of India for 1988-89. He is a partner of Prem Associates Advertising & Marketing, Bombay, and is the youngest president of AAAI so far.

C.R. BALASUBRAMANIAN has taken over as the managing director of the English Electric Co. of India Ltd., Calcutta. After joining the company in 1961, he worked his way up to become the assistant managing director.

RAJAN JETLEY has been elected to the board of directors of the Pacific Area Travel Association. Currently he is the managing director of Air-India as well as a member of the executive committee of IATA.

THE BIZWIZZES


THE
INNOVATORS
WILLIAM DAVIS
The Essential Guide to Business Thinkers, Achievers and Entrepreneurs

(Published by Ebury Press, London, hardback, pp.408, £12.95)

If there is one thing all innovators seem to have in common, it is the ability to coin cliches. "If any young man comes to me and asks how to make his fortune, I tell him ... don't follow anybody else. Get off the beaten track. Be a little mad," says Jeno Paulucci, the founder of Chun King Foods. "In the future, everyone will be famous for fifteen minutes," quips Andy Warhol. And takeover expert Robert Holmes a Court adds with suitable profundity, "Business is Darwinsm — only the fittest will survive."

And that is what the book is all ab-ut. Sub-titled "The essential guide to usiness thinkers, achievers and en-repreneurs," it is a collection of the life tories of those who have made it to the ig league. It is a quick look at their houghts and philosophies — in brief: hat makes them tick.

Clear distinctions. The author, William Davis, makes a clear distinction between the inventor and the innovator. "The inventor produces ideas, the innovator makes things happen," he says. And it is the latter he is interested in.

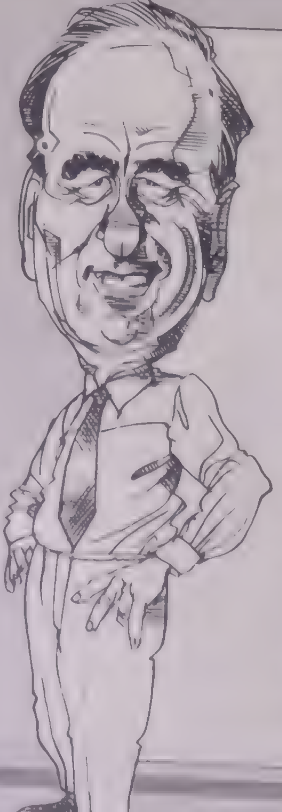
Many of the people he writes about are, of course, household names. Every schoolboy will have heard of Walt Disney who "probably did more to heal or at least to soothe troubled human spirits than all the psychiatrists in the world."

Equally well-known is Lee Iacocca, "an industrial folk hero, a corporate capitalist with populist appeal, a guy (one of his favourite words) who tells it like it is." Iacocca achieved worldwide fame through his best-selling autobiography but he was a success story long before that. He had made it to the *Time* and *Newsweek* covers way back in 1964 when he masterminded the marketing blitzkrieg of Ford's Mustang model of cars.

But there are the lesser lights too — individuals who, though equally successful, have preferred relative anonymity. McDonald's straddles the world today, but Ray Kroc — who did more than anybody else to popularise the concept of franchising — is largely unknown outside business circles. Likewise press barons like Rupert Murdoch ("the first global media magnate"), Robert Maxwell ("autocrat of technical publishing") and Hugh Hefner ("playboy of the western world") have had the habit of making news themselves, but Henry Luce who gave America three of its greatest magazines — *Time*, *Fortune* and *Life* — is practically forgotten today.

Most of those who have been nominated to Davis' hall of fame are Britishers or Americans. But there are a

Until his misdeeds were exposed in November 1986, Ivan Boesky was widely respected for his mastery of the mysterious financial game known as 'risk arbitrage.' He did not invent it, but he was the first to set up a business devoted purely to arbitrage and the first to bring investors into his operations — pioneering efforts which, because he was so successful, impressed both Wall Street and the media. The financial world was astonished when it was announced that Boesky had agreed to pay penance of $100 million — half of it a fine for violating the Securities and Exchange Commission's insider trading rules and half for a fund to compensate wronged investors and companies who sued. *Fortune* magazine called him the 'Crook of the Year.'



Murdoch is an opportunist and an operator who likes to seek out poorly run bargains and turn them round. His technique, for many years, has been to look around the part of the business he knows best for under-managed assets and to go after them with single-minded determination. He has the ability continually to expand his horizons, to look beyond a single country even if the market close at hands seems almost terrifyingly large. His gambles sometimes fail, and many of his critics predict that it will all end in disaster — that eventually he will be buried under a mountain of debt. (A typical headline in a business magazine called his activities a 'debt-defying high wire act.') They claim that he is on a treadmill: he has to keep gobbling up new properties simply to feed the monster he has created. But he has also pulled off some spectacularly successful deals.

The first Henry Ford personified the engineer; Alfred Sloan of General Motors was the great manager; Lee Iacocca has always been the super-salesman. Long before his autobiography *Iacocca* was published, he became a celebrity by appearing in a series of nationwide television commercials extolling the merits of Chrysler products. 'I am not asking you to buy one of our cars on faith,' he said. 'I'm asking you to compare.' Or, more aggressively, 'You can go with Chrysler, or you can go with someone else — and take your chances.' Then came the quintessential Iacocca tag-line, the slightly belligerent ad that turned the promise of automotive quality into a dare. 'If you can find a better car,' he barked, 'buy it.' It was a novel approach to salesmanship, but it worked.

few others. Gianni Agnelli's business clout is estimated to contribute a twentieth of Italy's gross domestic product. The Fiat boss is described by his rivals as "a monarch surrounded by managers." He spent the sixties chasing beautiful actresses, now in his sixties he chases business success. But he still remains a charmer — in a 1986 opinion poll, women readers of the Italian paper *La Repubblica* nominated him as their number one heart-throb.

Other luminaries. A different sort of candidate is Antonio Lopez Santa Anna, the famous Mexican general who fought against Sam Houston in the war of 1836. He joins the other luminaries because of a discovery which has caused much mastication since its introduction — chewing gum. In tandem with him is William Wrigley Jr., who made more than $ 200 million out of sales of the chewing gum that still bears his name.

And then there are the inevitable Japanese: Shoriki Matsutaro, the press baron and politician; Masaru Ibuka and Akio Morita, the duo who started Sony; and Soichiro Honda who has built up a vast business empire on the slogan "Supply creates its own demand."

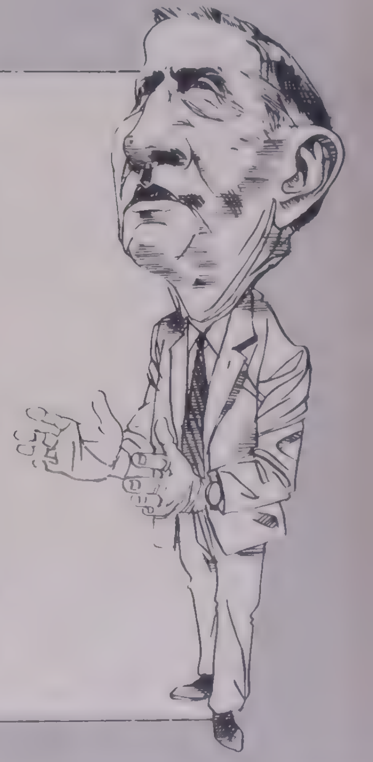
Some are not quite success stories. Ivan Boesky heads the list, perhaps. But the man who fell foul of US laws on insider trading (and paid up $100 million to compensate investors) is still respected for having brought the esoteric techniques of risk arbitrage out of the closet. So is H. Ross Perot, who carved out his own empire in servicing computers.

This is a book about people written in a racy style. It is a book with many messages, most of which are worth listening to. As the stockmarket pundits put it: it's a good buy.

■ *Parthasarathi Swami*

Perot, who drove his own car and answered his own telephone, often mingled with workers on the production line and poked around dealers' showrooms in old clothes. He also made it plain that he planned to object if the senior management paid itself the usual year-end bonuses.

Inevitably, this unorthodox approach made him a lot of highly placed enemies. What finally convinced the board that it was time to act was his insistence on breaking one of GM's most fundamental rules: never go public with criticism. Perot told workers that the management was out of touch with its employees. At a meeting for car dealers, he said that GM wasn't building the cars that customers wanted. Interviewers were told that changing GM's corporate structure was like 'teaching an elephant to tap-dance.'



Akio Morita, a brilliant salesman, shared the view that 'it is easier to earn a living by doing something others are not doing.' Sony's philosophy was — and is — to develop a product when there is no market, and then create one. Morita liked to tell a favourite story. Two shoe salesmen find themselves in a rustic, backward part of Africa. The first salesman wires back to his head office: 'There is no prospect of sales. No one wears shoes here.' The other salesman wires: 'No one wears shoes here. We can dominate the market. Send all possible stock.'

Britannia Industries Limited

Highlights from the Chairman's Speech

Britannia has had another successful year of growth. Compared to the previous year, sales posted an increase of 19.4% and profits moved up by 14.2%.

The flagship Bakery Operations continue to excel. Fully integrated Soya Complex at Vidisha commences commercial production. New products receive an encouraging response.

Adding value to India's agricultural production has emerged as a prime national priority. The organised sector Bakery Industry should be allowed to grow and modernise to serve India's larger socio-economic interests. Present constraints on growth are inconsistent with country's economic priorities and aspirations.

The counter-productive price control on Bread in Delhi needs to be urgently removed.

Speech delivered by Mr. J. M. Rajan Pillai, Chairman, Britannia Industries Limited at the Sixty-ninth Annual General Meeting held at Calcutta on 20th April 1988.

Ladies & Gentlemen,

I extend to you all a very warm welcome at the Sixty-ninth Annual General Meeting of the Company.

THE YEAR

You would have noted from the Annual Report and Accounts for the year 1986-87 that the Company has had another successful year of growth with sizeable gains in sales and profits. Compared to the previous year, sales have posted an increase of 19.4%, while profits have risen by 14.2%. The Company continues to build on its strengths and prospects for the current year are also promising. Consistent with the Company's policy of rewarding shareholders, the Directors have recommended a final dividend of 16% Together with an interim dividend of 8% declared in July 1987, the total dividend on post-bonus capital adds up to 24%. On a pre-bonus basis the dividend works to 33.6%, which is 6.6% higher than the previous year

The Company has maintained its leadership in its traditional business of Bakery products. This has been possible because of an unalloyed commitment to quality and a penchant for efficiency. It is for this reason that Britannia's brand name is widely perceived as a synonym for high quality food products.

In my speech last year, I reported that the Company's first major diversification – the fully integrated Soya Processing Complex at Vidisha was poised to commence commercial production. I am pleased to state that 'Vital' Pure Refined Cooking Oil introduced by the Company last year in selected markets of North, East and Central India has met with a very encouraging response and is already acknowledged as a leading brand among Soya Refined Oils. Its performance also rates well against other established brands of Refined Oils in the country.

The Company has blossomed into a strong national presence over the last seven decades. Its product range has endeared itself to millions of Indian households. There is every reason for us to rejoice in this accomplishment.

For all these versatile achievements, I am sure you will wish to join me in conveying our congratulations and appreciation to our President and Chief Executive Officer— Mr. E. J. Grinsted and through him the Executive Directors, Managers and Employees at all levels for their dedicated team work in achieving these results

THE ECONOMY

The year 1987 was a very trying period for the Indian economy. The monsoon rainfall was deficient in 21 out of 35 meteorological sub-divisions. Ironically, while a large part of the country was hit by a severe drought, some other parts had to face the fury of floods. Since this was preceded by three consecutive years of sub-average monsoons, inevitably there was a serious situation on the food front. The agricultural and food production are reported to have declined by about 10 per cent. Fortunately, the large buffer stocks of food built up in the earlier years averted what could have been a serious crisis. It is a matter of great satisfaction that despite such a serious shortfall in agricultural production, Indian industry has succeeded in achieving a growth rate of about 10%. This has enabled the GNP to post a positive rate of growth unlike the earlier drought years of the economy. The Central and State Governments deserve appreciation for the swift and admirable way in which they have tackled the complex problem.

It is gratifying to note that the Government is gearing itself to realise a target of 175 million tonnes of food production by the year 1990 – which is also the terminal year for the Seventh Five Year Plan. The initiative to devise an agro-climatic strategy for protecting agricultural growth is a welcome step. The package of reliefs and incentives for the Farm Sector announced by the Union Finance Minister in his Budget Speech for the year 1988-89 is timely and should go a long way in boosting economic growth in the country The economy is well poised to return to its higher growth path of five per cent and above

The Company's product lines largely depend upon the state of agriculture in the country. During the year, the deficit in production of foodgrains and oilseeds pushed up the agricultural prices which led to a significant upsurge in our input costs. The Company has always valued consumer interests as foremost, and as in the past, the burden of these increases transferred to consumers was the minimum possible

I would like to draw your attention to an important aspect of India's economic growth which has a definite bearing upon the

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Company's role in the Indian industry. There is a distinct and tangible increase in consumer awareness of quality. Both in rural and urban India, consumers increasingly seek better quality products to satisfy their rising aspirations. A Company like ours has to play a leading role in charting the course of market and in setting high standards in this phase of economic evolution.

THE POLICY FRAMEWORK

The Economic Policy of any country, and more so of a developing country, has to be responsive to the rapidly changing business environment – both national and international. I would like to raise a few important issues in this context.

As you know, the Bakery Sector continues to be on the list of products reserved for the Small Scale Industry. The oft-repeated defence in support of on-going reservation is that the presence of large and medium scale units will be to the detriment of the small scale sector. This is patently illogical. In the context of an economy, the policies have to be decided not on the basis of sectoral considerations but essentially from a broader national point of view. Even otherwise, it has been conclusively established by now that the products and the markets of the small and large sectors are different. They cater to distinct geographic and economic segments of society. As a matter of fact their roles are not competitive but supportive and synergic. As I said last year, the incidence of sickness in the small scale sector is not on account of presence of the large sector but because of existence of unethical and unbridled competition within the small scale sector. Capacities have been created without regard to proper assessment of market and consumer requirements.

With passage of time the Company is beginning to feel the restrictive and adverse effect of the policy even more. Existing large scale organised sector units like ours were set up several years ago and if they are not permitted to grow and modernise, they may soon have to battle for their economic viability.

I would like to recall two salient aspects of India's economic environment. Drought notwithstanding, the country has to find productive avenues for adding value to the expanding agricultural produce. Progressive value-addition in sectors like Bakery will ensure optimal utilisation of the country's precious economic resources. The second feature is an outcome of general economic growth reflected in the rapidly rising consumer aspirations, which I referred to earlier. In view of both these critical factors, the Government policy should encourage modernisation and growth and do away with outdated and restrictive controls in order to serve larger long term interests of the country.

It is also pertinent at this stage to comment on the widening gap between demand for and supply of Soyabean. With the processing industry's installed capacity far out-stripping the domestic production, Soyabean prices have reached abnormal and uneconomic levels. The only immediate option to provide interim relief to the Soya Processing Industry is to import adequate quantity of Soyabeans. This is a far more desirable option than importing Soya oil as it will not only enable the utilisation of domestic capacity but also help earn foreign exchange through export of Soya meal. Of course, the real and lasting solution lies in boosting domestic Soyabean production. The Prime Minister's initiative in constituting a Technology Mission on Oilseeds is indeed most timely and the Company will lend its full support to this plan.

The other prime national priority is exports. It is heartening to note that India could log a growth rate of over 25% in exports. On its part the Company has been fully conscious of its responsibility in contributing to the foreign exchange earnings of the country. In 1986-87, the Company contributed Rs 295 million to the export receipts of the country. You will be pleased to know that the Company's role as a leading Export House has been duly recognised by the Government. Britannia remains committed to increasing exports. The Company's export basket now includes a modest entry in the international market for Computer Software.

BREAD–DELHI

The Government has introduced many progressive measures for the speedy development of Indian industry. The industry in turn has been very appreciative of the high degree of responsiveness observed in the Government's decision making process. This trend had raised our hopes that we in the bakery industry too could expect a pragmatic growth oriented policy. I would like to underscore this point in relation to the unwarranted continuance of price control on Bread in Delhi. While input costs of all major ingredients have risen significantly, corresponding adjustments in the prices of bread are being denied. What makes the anomaly even more glaring is the fact that while all other metropolitan cities have dispensed with this artificial control, the capital city still retains it. There is ample evidence in the Indian industry that sickness is the consequence of a situation where output price is controlled in utter disregard of input costs. The Company had sincerely hoped that the Government would dispense with this counter productive price control but had to remain disappointed through the year. I can only reiterate our request to the Government to urgently remove this inconsistency and decontrol Bread prices in Delhi. Otherwise one may have an unpleasant paradox of a sick Bread industry in the fast developing national capital

NATIONAL WELFARE

The Company remains fully committed to its ideology of total consumer satisfaction and national welfare. The corporate social responsibilities are fully realised and accepted. You would be pleased to know that as in past years, this year also the Company has extended liberal patronage to various activities in the fields of Art, Culture, Sports, Health and Ecology. The Company has prepared a comprehensive blue-print of Corporate Social Responsibility in response to the call of the Prime Minister.

These plans will receive a new momentum when the Company shifts its Corporate Office to its new complex in Bangalore from its current location in Bombay.

THE PEOPLE

The new management team led by Mr. E. J. Grinsted has completed a year and confirmed our faith in the efficacy of the new management structure that the Company had adopted last year.

Since the last Annual General Meeting we have had the privilege of adding to our Board of Directors distinguished people from India and abroad. Mr. P. C. D. Nambiar, former Chairman of the State Bank of India has been designated as Vice-Chairman alongside Mr. R. K. Lal. The Board now also has the benefit of the advice of Mr. W. G Dunnington, Jr. and Mr. J. E. Willet–senior executives of RJR Nabisco Inc. as also Mr Vijay Amritraj–a distinguished businessman and sportsman. On your behalf I welcome them to the Board. We are sure that the committed efforts of our Directors, Managers and other personnel would enable the Company to maintain its growth and leadership in future years

Ladies and Gentlemen I once again welcome you and thank you for your gracious presence on this occasion

NOTE: *This does not purport to be a record of the proceedings of the Annual General Meeting*

LINTAS BIN MISC 484 2418 B

FACTORY AUTOMATION

EUROPE FLEXES ITS MACHINES

European suppliers of automation equipment for factories are at least the equal of their North American counterparts and way ahead of the Japanese in technological capability.

Europe also has some of the largest and most complex factory automation systems in place, though almost certainly not as many as in the US. The vast majority of equipment supplied to these systems are European-made by European companies.

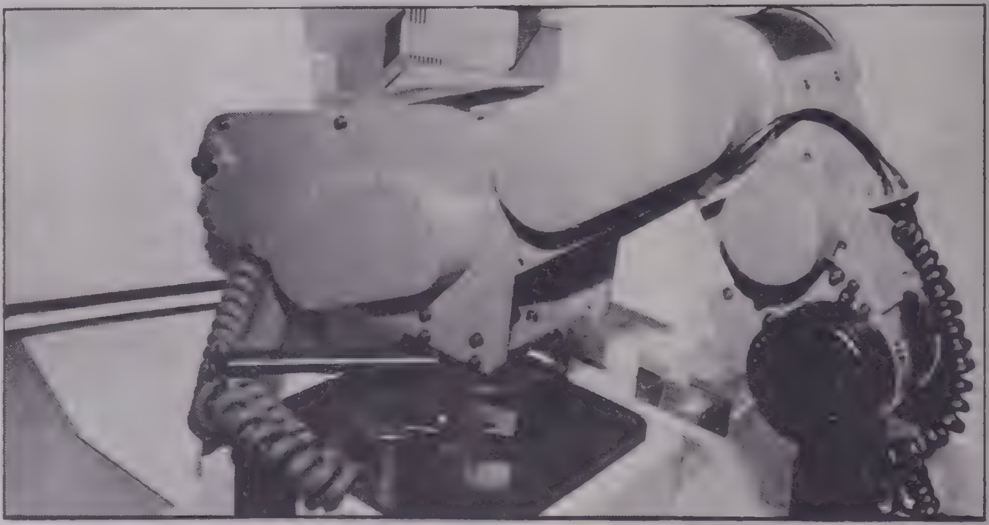
In one very significant product area, the Europeans are weak and that is in the supply of computer hardware. Equipment produced by the Digital Equipment Corporation (DEC) of the US has become something of a standard on the shopfloor and IBM has a very powerful vendor position in sales and ordering departments and the other sections of a company which have direct links to shopfloor production.

Siemens, however, has made real strides in the supply of computer hardware for production while two other companies, Nixdorf, another West German company and Olivetti in Italy have made headway in their domestic markets. It is significant, though, that some West German machine toolmakers which use Siemens controls will still only use DEC computer hardware when putting together flexible manufacturing systems.

Siemens is really Europe's only manufacturing automation supplier with a reasonably broad though by no means comprehensive range of equipment. This includes computers, workstations and networking systems, machine tool controls, test machinery and a wide range of controls and drives for robots and materials handling equipment like conveyors. It can also act as main contractor and supplier of process and production control equipment for very large plants such as steel mills.

Merger decision. Siemens though, has no capability in metal cutting and very little in materials handling and a sign of the pressures in factory automation supply was its decision, announced last month to merge its factory automation business with that of Westinghouse of the US.

This great strength in depth among European factory automation equipment suppliers does not make them immune from the structural pressures in the industry. There has been a steady concentration of power in the hands of fewer more powerful companies in many product sectors. At the same time, West Germany continues to overshadow every other country in Europe in terms of product range and volume. Italy is coming up fast but France and the UK are in relatively weaker positions as vendor nations. Sweden plays a significant role in one or two types of equipment, particularly robots.



LARGE COMPANIES STILL DOMINATE ROBOT MANUFACTURING

The supply of flexible manufacturing systems (FMS) in Europe is almost entirely carried out by European companies. The Japanese are weak in systems and US companies have only a small presence. Some US companies like Cincinnati might supply systems from their own European manufacturing bases as well as from America.

Crucial factor. US companies such as Cross, Lamb, and Ingersoll are big suppliers of transfer lines for the European car industry but the Europeans have a range of companies offering the latest technology, including a clutch of German companies like Burkhardt and Weber, and Huhle Hille. Having a large indigenous car industry to underscore a big machine tool industry is a crucial factor. Comau in Italy, expanding on the back of the Fiat group of which it is a part, is also a significant supplier.

Robot manufacturing is another area where there is a tendency towards domination by larger companies. There are still scores of manufacturers offering robots, but most of them supply only a few a year. Some companies like Taylor Hitec in the UK have specialist niches which, in Taylor's case, includes handling equipment for the nuclear industry. A few big names though are becoming increasingly important in Europe.

Powerful position. Japanese robot makers like Fanuc and some US suppliers are still very much in the European market but most factory robots supplied in Europe are from European companies. This includes Unimation, the British arm of Westinghouse. Fanuc is certainly strong in machine tool controls but here too, the Europeans, in particular, Siemens are in a powerful position while a string of much smaller Italian companies are growing on the back of advanced units.

Despite the strength of the Europeans, they occasionally seek the shelter of American multinationals. This has been particularly so in computer-aided design and manufacturing (CAD/CAM) where, for example, Dassault, the French aerospace company which is an important supplier of CAD/CAM benefits from a marketing and technology cooperation agreement with IBM.

■ *Nick Garnett*

(By special arrangement with the Financial Times, London)

OF CD-ROMs & WORMs

The idea of having over 500 megabytes of data storage attached to a common personal computer (PC) may seem an exciting, if daunting prospect. This implies sufficient memory to store over a quarter of a million pages of written text — or enough books to fill over 50 feet of shelf space. This however, is the prospect offered by optical disk technology — a new data storage medium which uses light rather than magnetism.

The audio compact disk, has already become familiar as a means of reproducing very high-quality sound recordings. The use of this technology for computer data storage has been a subject of discussion for over 10 years, but little has been seen apart from a few complex and expensive products aimed at the mainframe computer market. In the past two years this technology has become a reality, and promises to bring to PC users enormous data storage capacity and economical access to large commercial databases.

OPTICAL DISK KNOWHOW

The development of optical disk technology for PC data storage has resulted in two different forms of optical drive and media. The most widely available and best developed is the CD-ROM(compact disk read only memory). This is a read-only form of optical medium which has been directly developed from the audio CD and is being used by an increasingly wide range of information suppliers to commercially disseminate very large databases. The other form of optical disk technology is just beginning to come on the market and is called WORM (write once read many times). As this name implies, it is possible for the user to write data on to such optical disks as well as read them.

Visually, a CD-ROM is identical to a standard audio CD: it is a 12 cm plastic disk with a metallised layer sandwiched in the middle. Digital data is recorded on this reflective metallic layer on a long spiral track, with over 16,000 turns of the spiral on each inch of the disk surface. The data is stored on this spiral track as a sequence of tiny pits in the reflective metallic layer; these are read by a laser beam which scans along the track. Each pit corresponds approximately to a single 'one bit' and each reflective space to a 'zero bit.'

CD-ROMs are likely to attract a considerable number of users even though they cannot be used for recording user data. One reason is that they offer a serious challenge to online databases and microfilm for the supply of specialist information. It is far more economical to put a 500 megabyte database on to a CD-ROM and distribute it to a range of customers than to perform an update of their databases using telecommunication links. To some extent, the widespread application of CD-ROMs will be at the expense of datacom facilities and services. Data communications will only retain the advantage when database updates are very frequent.

The vast storage capacity of CD-ROMs, coupled with the relatively low cost of producing and distributing them, makes the optical disk the ideal medium for supplying databases which are not subject to rapid change. Databases which are suitable for putting on CD-ROM range from collections of scientific abstracts and lists of all current books in print to the financial history of all public companies.

The list of databases which are being placed on CD-ROM is growing daily. So far, most are internal applications within large companies, but an increasing number are now being sold to the general public as either one-off publications or information subscription services.

Another area of application for CD-ROMs is as computer-based reference books, which range from encyclopaedias and dictionaries to trade directories. The price of material being produced for CD-ROM varies from under Rs. 2,500 to several thousand rupees. Again, as the volume of sales increases, prices should fall.

WORM DRIVES

On WORM disks, data is stored in much the same manner as on a CD-ROM: as a long spiral of pits in a reflective metallic layer. The disks are, however, slightly larger at 5.25 inches and the metallic layer is a special alloy of selenium-tellurium which is sandwiched between two sheets of glass mounted in a protective cartridge. The special metallic film is designed to easily evaporate and produce small pits when exposed to the light from a low-power laser.

Whereas the CD-ROM is essentially a means of cheaply and easily distributing large amounts of information, the WORM disk is a mass data storage device which complements existing magnetic data storage in the form of either floppy or hard disks. WORM disks will probably find their greatest application in creating information and data archives, where they will be used to replace paper and microfilm.

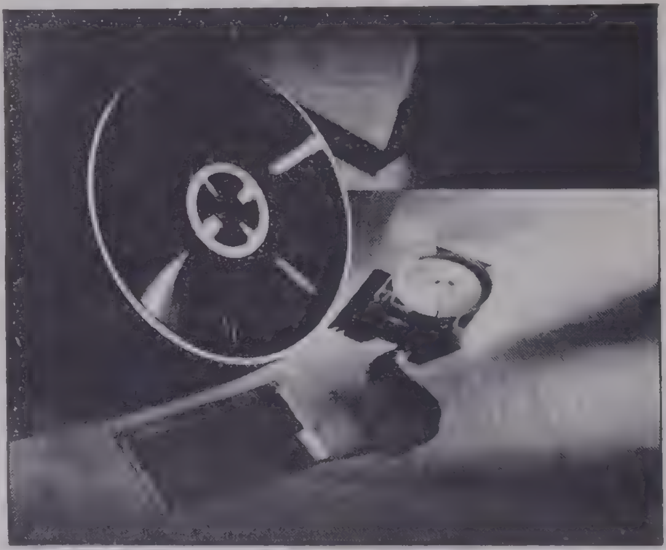
This is potentially a very large market since over 95% of the world's information is still stored on either paper or microfilm. The use of optical disks for such data archiving will have radical effects on the way people utilise and retrieve information since, like CD-ROMs, the WORM disks are also able to store digitised images, sounds and

Optical disks cannot be conside
replacements for conventional
magnetic disks. They must instead
be seen as complementary product
which have their own unique
strengths in certain applications

computer programs. Although the user can write data on to a WORM disk, it is impossible to change the data once it has been written without writing a new copy of it. This means that systems utilising WORM disks will store a full record of all changes which have been made to a database. This feature will prove very attractive to financial users since it will automatically provide them with data security and a full audit trail.

As the volume of drive production increases, so the price of drive hardware will fall from the current level of about Rs.25,000 to a price similar to that currently charged for audio CD drives. Concurrent with its announcement of increased production, Hitachi has dropped the price of its CDR-2500S drives to Rs.18,000.

The production of WORM drives however, still suffers from a lack of international standards, although it is expected that such standards will be evolved in the early autumn of this year. WORM drives are, however, far more complex than CD-ROM drives and do not benefit from being able to share components with audio CDs. It is, therefore, unlikely that the cost of such drives will fall to the same degree.



THE COMPACT DISC: ENORMOUS DATA STORAGE CAPACITY

A typical product is the WORM drive just launched by Hitachi, OD101, a 5.25" 600 megabyte IBM PC compatible. Any cost reduction here will depend on how quickly a large PC manufacturer like IBM ships WORM drives as a component in its systems, plus the ready availability of WORM drive support software — both of which will be needed to generate volume sales.

Most CD-ROM and WORM drives are able to interface to IBM PCs and compatibles. Drives are either connected directly to the PC using a plug-in card or by means of the SCSI (small computer system interface). Both methods work equally satisfactorily, although it is likely that the SCSI will eventually become the standard. Manufacturers are producing CD-ROM and WORM drives for mounting within a PC or as separate stand alone units.

Besides the greatly increased storage capacity of optical media, in excess of 10 times that of a magnetic hard disk of comparable size, the principal difference between optical media and magnetic media is that optical media is currently non-erasable. This non-volatility imposes limitations on the user which make it particularly important that designers of optical disk-based systems do not think of optical media in terms of conventional magnetic disk usage and programming practices. This primarily means that optical disks cannot be used as virtual memory in the way that most system designers use magnetic disks.

Virtual memory systems are those where disk storage is used to enlarge the system's memory by temporarily storing any data which is not currently required by the program. As soon as this data is required it is loaded back into RAM, a process which is entirely transparent to the user.

The non-volatility of optical disks also means that their file structure has to be carefully designed in order to make the best use of the system. Many CD-ROM systems exhibit poor performance because of the 'magnetic disk think' of the designer which has considerably reduced the optical disk's performance. This file structure is further complicated by the large amount of data which can be stored on an optical disk and the fact that the data is stored in what is essentially a serial format.

The differences between optical disks and magnetic media mean that they cannot, given the current state of development, be considered as replacements for conventional magnetic disks. Optical disks must instead be seen as complementary products which have their own unique strengths in certain specific applications, and which overcome some of the weaknesses of magnetic disks.

The non-volatility and relative robustness of optical media have given it considerable appeal in applications involving data archiving. The reliable life of magnetic media is quite short — it is usually recommended that valuable data is re-recorded every four years. Optical media has a much longer life — well over 10 years — and is far less vulnerable to environmental hazards such as magnetic fields or X-rays than any other form of data storage.

Initially there were some doubts about the life expectancy of optical disks due to micro-cracking of the plastic substrate and consequent oxidation of the metallic layer, but research and improved production techniques have now virtually eliminated this problem.

However, because of this initial doubt, a very powerful error-correction technique was built into the design of optical data disks. This error-correction procedure is able to reconstruct the data in corrupted blocks as large as 400 bytes, which is well in excess of any data loss which could result from any age-induced micro-cracks.

Relative to conventional magnetic media, optical media is still quite expensive. Creation of the CD master from the digital data supplied by the information publisher costs about Rs. 60,000. This mastering process converts standard digital data into the format in which it is internally stored on a CD-ROM, and adds the error-correction coding as well as creating a glass master from which disk copies will be pressed. For a hundred copies of this disk there is then a unit charge of about Rs. 300.

The data format of an optical disk is based on constant linear velocity, or CLV recording, which differs from magnetic disks which use constant angular velocity or CAV. The advantage of CLV recording is its high data storage density, but this is achieved at the expense of a feature naturally inherent in the CAV format where its organisation makes it easy to find the start of any desired sector.

■ *T.A. Balasubramanian*

PRODUCTS & PROCESSES

NON-ELECTRIC WATER PUMP

Kenman Corporation of the US has developed an air-water hand pump, branded TGBTG-1, for pumping water out of wells in villages and remote areas which have no electricity. It is low-cost since it has no moving parts. The pump can be operated with a common bicycle hand pump for wells up to 45 metres (150 ft) deep with a high static water level; or with the smallest engine-driven air-compressor for deeper wells or wells with low static water levels. The principle on which the new hand pump operates is simple: sufficient air pressure is forced down the sealed space between two PVC pipes (one inside the other) installed in the well, which act as an air piston. All the water contained in-between the two pipes is pushed down to the bottom of the inside pipe, and then, because of air-pressure differentials, the water automatically moves up the inside pipe and out of the spout above ground level. Kenman has successfully tested this hand pump up to a depth of 73 metres (240 ft).

ALL-TERRAIN VEHICLE

Marcon Pacific (Marketing Consultants) Pte. Ltd. of Singapore has started marketing an all-terrain vehicle branded Argo in South-east Asia. It can travel across virtually any type of surface condition.

Argo vehicles are light (433 kg) and extremely manoeuvrable. These vehicles can climb inclines as steep as 30° and descend upto an angle of 45°. They can easily traverse muddy, rugged and marshy areas. Consequently, their agricultural, scientific and military applications are endless.

IMPACT WELDING

The Ontario Research Foundation of Canada represents a small Canadian high-tech company which claims to have developed a process which can produce diffusionless metallurgical bonds between similar or dissimilar metals. According to this firm, almost any conceivable combination of metals can be bonded by this process as the melting does not occur at the interface. The resulting bond is stronger than the weaker of the two metals being bonded. No capital intensive equipment is required and little skilled labour is necessary. The actual weld is complete in microseconds, without the use of furnaces, presses or rolling mills.

Successive years of drought in this country have led to massive losses in the production of foodgrains. The livestock population has declined drastically in the worst affected areas and human misery is widespread. An American company has recently developed an unusually simple, very low-cost water pump which has no moving parts and can pump water from wells as deep as 45 metres, using only a bicycle hand pump.

INTELLIGENT TEMPERATURE LOGGER

Kane-May Ltd. of England has introduced the KM1400 series of low-cost battery-powered temperature loggers which record data only when the temperature changes, rather than at regular intervals, regardless of a change. The system, therefore, can store about 100 times as much data as most loggers and has a battery life of 25-100 days. It can log temperatures over the range of -100°C to +1200°C or -150°F to +2400°F and measure millivolt outputs from -1000 mv to +2000 mv. The measurements are logged at user-set intervals ranging from 1 second to 12 hours. The logger can be connected to a portable printer or a personal computer and readings can be seen numerically or graphically. Hard copy readings can be obtained either during each stage of measurement or at the completion of a cycle. The major users are the airconditioning, heating and ventillation industries, food processing, transport and storage companies, research laboratories, and all control instrument engineers.

INTERFERENCE PROTECTION GASKETS

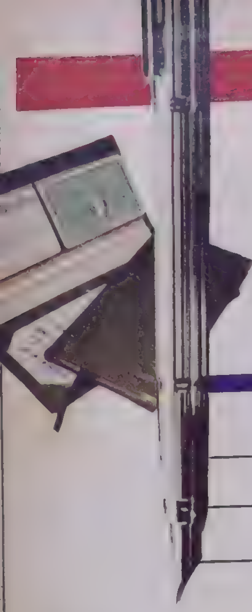
Dowty Seals Ltd. of England has developed a wide range of flat elastomeric gaskets, moulded products and extruded profiles to protect electronic equipment from electromagnetic and radio frequency interference while simultaneously providing effective environmental protection. Dowty's Dowshield range of flat elastomeric gaskets is produced in a variety of elastomers by selectively printing highly-conductive polymers to achieve finished gasket profiles. The gaskets are available in silver-loaded silicone, silver-loaded cross-linked vinyl, silver-plated nickel in silicone, and silver-plated nickel in cross-linked vinyl. Signal attenuation is 120 dB or greater. Moulded products include custom-designed shapes and there are 2,700 standard sizes of '0' rings. Special profiles are available which are compatible with oils and greases, are resistant to contaminants or can be used at temperatures ranging from -65°C to +200°C. All gaskets and seals meet a standard corrosion test and shielding effectiveness is measured by the application of a calibrated signal at 30, 100, 300 and 1,000 MHz.

AIR-PURIFIER

Aironic Pty Ltd. of Australia has launched the Aironic 2000 which combines a negative ioniser with a fan-fed filter which lowers air-pollution to levels comparable with those maintained in operation theatres in hospitals and laboratories. It can ensure a controlled environment in a room measuring up to 60 sq m (2,118 sq ft) and can remove cigarette smoke, dust, pollen and other allergens, air-borne bacteria and pollutants with 99% efficiency.

Now, enquiries should be addressed to Indea Consultants, C/o BusinessWorld, 145 Atlanta, 209 Ceremonial Boulevard, Nariman Point, Bombay 400 021.

■ *Ranjit Hira*



PLEASURES & PERILS OF EXPAT LIFE

Money, rather than job satisfaction, draws hundreds of Indians to greener pastures abroad. The happy expatriate is one who weighs his options carefully before hopping onto the first flight out of India.

The country-lad-makes-good type of stories of Indian traders and businessmen who have settled abroad are familiar enough fare. But it was only during the mid-seventies boom in the oil sheikhdoms that the less venturesome Indian manager started in a big way to follow in their flight paths. Now, a decade later, the overseas job market has shrunk. So have exports of managerial talent, thanks to frigid oil prices, superheated Middle East politics and fluctuating economic fortunes worldwide. Even so, while the tribe of home-grown professionals abroad may have dwindled, it has far from died out altogether.

ALLADI ENJOYS A DRINK, FAR FROM BOMBAY'S MADDING CROWD

Be it Abu Dhabi, Dubai or where-have-you in West Asia, Singapore, Malaysia or elsewhere in the Asean spectrum, Nigeria, Kenya or the other African countries, and, yes, even in the corporate headquarter cities of Europe and America, weekday mornings will find Indian expatriates donning their white collars, grabbing their briefcases and being driven off to work at Assorted Worldwide Manufacturing & Trading Inc.

VARIED DIRECTORY

The similarity more or less ends with the morning ritual, for the directory of Indian expatriate managers in any foreign country can otherwise be a varied one indeed. You have, on the one hand, the intrepid souls who traded career aspirations and job security for unfamiliar (albeit lucre-laden) territory. Yet others — the multinational (MNC) or Indian joint venture folk — are out on a posting (usually time-bound) and they return to their parent companies at home once their time's up. The heartening increase in the number of such MNC "postees" all over the world is no doubt indicative of the fact that Indian subsidiary companies are getting more firmly plugged into their transnational global grids.

Functionally speaking, the areas in which Indian expat managers specialise range from advertising to work study, but the bean-counters and shop floor specialists easily outnumber the rest. Their corporate histories while in India are equally varied, having been played out in companies that range from the near anonymous to the big and famous.

A lesser degree of variety is evident in their overseas employers, who, while including government departments, MNCs and Indian joint ventures, largely comprise of local businessmen of Indian origin or otherwise. Since no hard statistics are available, the exact number of Indian professionals who have opted to live and work abroad can at best be only guesstimated. But yes, even in the halcyon days of the late seventies, the exodus (if it can indeed be termed as such) was never large enough to cause much more than a minor dent in the corporate works.

On the other hand, not many executives back home can claim to have remained equally unaffected by the astronomical salaries and perks that were staple fare in the Appointments Abroad, Opportunities Overseas and other such columns in various newspapers. Faced with a drastically shrinking rupee and the near impossibility of saving on a fixed salary, such greenback-laden pastures must have seemed lush indeed. Add to this the overcrowding, housing shortages, deteriorating living conditions, schooling problems — to mention only some in a veritable litany of common day-to-day woes faced by the average Indian — and it is little wonder that regardless of how well their careers were shaping up in India, many succumbed to the siren song of foreign shores.

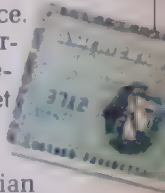
Says an ex-Bombay-based eight-year veteran in a top-notch advertising agency who went to the US on a holiday and never came back: "About a year after I got married, it dawned on me that I had little choice but to leave the country. It was either that or the prospect of trying to raise a family in a one-room paying guest accommodation."

CLEAR CHOICE

For K. Alladi, then a consultant with the well-known chartered accountancy and management consultancy firm of Price Waterhouse, the choice seemed equally clear one morning. Commuting from his home in Bandra, an upscale Bombay suburb, to his office in the highrise business hub of Nariman Point, can be somewhat nerve racking even on a good day, what with traffic-jammed roads and crowded trains. "One day I opted to take a train. It took me over half an hour before I could even get squeezing room to ride into town. That was when I decided I'd had enough," says Alladi. Today he is with PT Alfa Intone International in the consumer electronics business. He is chauffeur-driven to work in a Japanese-made air-conditioned car. In the evenings he comes back to a house which is several times the size of his Bombay apartment, and entertains at a bar well stocked with Chivas Regal, Johnny Walker, Black Label and other such upmarket labels.

PINTO REFUSES TO "SETTLE FOR DRABNESS"

Big houses, big gardens (and, for the lucky ones, even a pool), good cars and all the modern conveniences are only some of the more obvious creature comforts and frills that spring to the mind when visualising the expat's home away from home. Less obvious, but no less addictive, are the other environmental attractions: good town planning, well maintained roads, telephones that almost always work, supermarkets stocked with a mind-boggling array of consumer goods, and, above all, a clean, uncrowded and pleasant ambience.



Just how important such extraneous factors can get to be is something that many a non-resident Indian has discovered on his very first home leave. Stanley Pinto, a former director at

Lintas India Ltd. and general manager of the Jakarta-based Citra:Lintas since January 1987, had a rude awakening when he holidayed in India after a year-long absence. "I realised how unrelentingly ugly and undermanaged our cities are compared to anywhere else in the world. When other similar countries have been able to provide their citizens with a modicum of comfort and beauty, it is a pity that we in India invariably settle for sheer drabness and mismanagement," says Pinto, who at the time of the interview had already taken over as country head of Lintas Malaysia.

Belonging to that corps of managers who have been posted abroad within the company network itself, Pinto for one did not have to worry unduly about the professional repercussions of a stint abroad. But he reiterates: "Professional aspects apart — for these would naturally vary from organisation to organisation — I doubt if anyone can go wrong leaving the country. In fact it's a pity that talented professionals have to do so in order to seek out a better life and better surroundings for themselves and their family — but there is a limit to how far tolerance and patriotism/nationalism can be stretched."

It would indeed be difficult for even the most patriotic person to disagree with Pinto. Especially for those who have got used to living conditions abroad, every visit back home serves to reinforce even further that, family and friends apart, life in India has little to offer them. No doubt there are several instances of the seven-year itch at work, marked by feelings of professional ennui, general purposelessness and a strong desire to embrace the hurly-burly of life in India.

For the professionally dissatisfied expatriate, a strong desire for fulfilment follows once financial goals and targets have been achieved and a sufficient nest egg put aside. For many others, however, the good life gets to be addictive and the thought of staging a return becomes less and less attractive with each passing year. At middle management levels particularly, a foreign transfer is enough to make many a home-grown Indian manager reassess his career and other goals. As the term abroad draws to an end, many resort to taking at least half-hearted stabs at job hunting, tempted as much by living conditions as by the pay packets involved.

Even all by itself, money talks loudly. Certainly, in the initial job-application stage at least, the anticipated din of personal cash registers ringing is almost always sufficient to drown out other voices speaking for or against a move out into the great beyond. In fact, to those headed towards certain destinations in Africa or Saudi Arabia, for example, lifestyle considerations — if at all they feature in the decision-making process — appear largely on the negative side of the ledger, evoking images of harsh climatic conditions, restrictions on movement, armed robberies and the like. And once job applications bloom into full-fledged job offers, almost all those who opt to take the plunge do so without even seriously reconnoitring the territory in which they plan to live and work in the foreseeable future. In all such cases, it is the expectation of a comfortable bank balance that pushes the to-be expat towards a decision in favour of a move.

Though the above motivation does not strictly hold good for Narayan Menon, the fact is that at an early stage in his career cycle he took stock of what corporate life in India had to offer the up and coming executive. Unsurprisingly, he came to the conclusion that reward expectations were far from commensurate with efforts. Fresh out of Madras University's engineering college, Menon signed up as a management trainee with the DCM group. There he put in a five-year stint before going on to do his MBA at the Asian Institute of Management in Manila. He attributes his decision to opt for a university outside the country — despite the existence of comparable institutions in India — to two factors. "Apart from a youthful desire to see more of the world, I was also consciously hoping that an opportunity to work abroad would follow as a consequence of doing an MBA course abroad," says Menon. And with good reason too, for Menon had by then noticed that even at senior levels, the manager in India was at best comfortably off and rarely if ever funds-flush.

NO LOOKING BACK

"I wanted to have enough money to be able to enjoy the good things of life while I was young enough to do so. Today I work hard but I can live well too," he says. Little wonder, then, that having boarded the flight that first took him towards the Asian Institute in Manila, Menon has not looked back homewards. On passing through the portals of his alma matter, he joined a leading Philippine bank. When the bank acquired a 25% interest in Ficor — an Indonesian government-owned merchant bank and the largest in the country — Menon was sent to Indonesia. He was general manager at Ficor when he left to join up with P.T. Konsultan Subhan Basuki, an associate of the internationally well known firm Coopers & Lybrand. Today, compared to the average 42-year-old senior corporate executive back home (even assuming that Mr. Average is the vice president of a major company), the Jakarta-based Menon is much more than merely comfortably off. His *bon vivant* lifestyle includes a rambling villa with a swimming pool, a household staff of four or five, a swanky Cressida car and holiday exotica such as an African safari vacation in 1986 and a trip to New Zealand the following year.

Menon had a relatively smooth passage out of India, more so since he had struck out at a relatively young age when he was still unencumbered by considerations of family, job titles, professional status, etc. Many others like him dot the corporate landscapes of the US and other such developed countries — people happily faced with a no-lose situation in which the risks are minimal as also the opportunity cost back home, while the gains are reasonably sure-fire. And just as the young stand to lose less, so also do those from small company backgrounds for whom — perhaps — perks, prestige and professional status don't weigh as heavily against a move outside as for those from more reputed corporations.

The people who face the biggest question-marks in the overseas job stakes are the upwardly mobile professionals holding middle to senior positions in well-reputed organisations. They're the ones who have something to lose — the professional environment, the prospect of moving up the corporate ladder, the backing of a well-known corporate name and standard perks such as a company car, driver, housing, holidays and club membership. The typical overseas job, on the other hand, is invariably owner-managed and involves the usual question marks regarding professionalism, work environment, etc. The plus point is the fat end-of-the-month pay check. The money vs career crossroads is at its most divergent in such cases.

DIFFICULT CHOICE

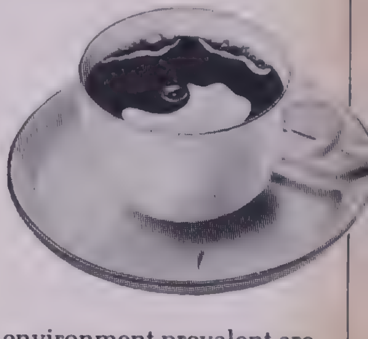
"To a career-conscious individual, the choice is an extremely difficult one to make regardless of the financial considerations involved," says one such manager currently faced with having to make a go/no go decision. "On the one hand, it means giving up career aspirations as I understand the term, specially since I suffer from no delusions about the professionalism of most of these operations abroad. There is also the risk that if things do not pan out overseas I cannot expect to be able to waltz back into a job as good as the one I have to give up. But, on the other hand, I have been offered a salary package which will enable me to put aside in seven to eight years what will take me a lifetime in India," says this low profile manager who does not want to be quoted since he had not yet come to a firm decision at the time he was interviewed.

MENON WORKS HARD, BUT LIVES WELL TOO

The views of his colleagues overseas are unlikely to help him resolve his conflict because, apart from the fact that the decision is an intensely personal one and individual priorities differ, professional experience and job satisfaction levels abroad have tended to vary widely. Both Menon and Pinto, for instance, are extremely positive about their work. "It's been a wonderful experience working in a different environment," says Pinto.

"I have no complaints whatsoever," says Menon True, almost everyone has to contend with the problem of the lack of trained staff or the fact that the business environment is not as developed as back home. Sometimes, the expat needs to function as office boy-cum-secretary-cum-manager. But, at worst, these factors are minor irritants and are never perceived as major professional drawbacks.

The lowest dissatisfaction levels are recorded by executives in Indian joint ventures and MNCs since the systems and work environment prevalent are much the same the world over. Evidence, however, indicates that not everyone can expect a similar degree of on-the-job contentment. Many managers caution overseas aspirants not to expect any transports of professional delight. Says one: "I thought I had zero or negative professional expectations but discovered I was still aiming too high. Today I have learned to equate job satisfaction to the type of life I'm enabled to lead outside working hours."



EXTREME DISSATISFACTION

J. Sainathan (43) is another manager who, for a brief time, had to cope with extreme dissatisfaction on the professional front. He left India nine years ago when he was manager (commercial) with Asia Tobacco Co. Ltd. (a subsidiary of ITC Ltd.). He joined an Indian group as

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DOs

- Clarify your own goals — be sure of what you want.
- Check in detail about the company you're planning to join, talk to the people working there and visit the place.
- Get the remuneration package properly documented.
- Be flexible in your attitudes and cultivate tolerance.
- Work towards your savings goal.
- Understand and operate within the socio-cultural norms of the host country.
- Learn the local language.
- Learn to accept and live with the differences.

DON'Ts

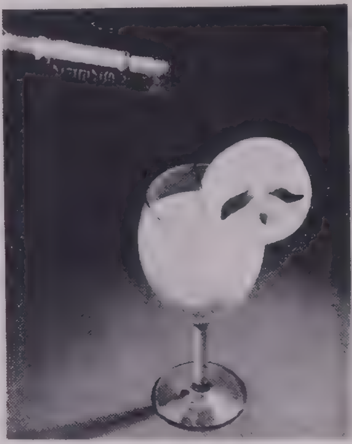
- Don't expect professional achievements or a high degree of professionalism.
- Don't undersell yourself.
- Don't pass judgments on the job or the country too quickly.
- Don't linger if you have made a decision to leave. The longer the delay, the more difficult it would be to relocate in India.
- Don't expect a highly developed work place and infrastructure by way of trained secretaries, assistants, etc.
- Don't pine for home — think positively about the new situation.
- Don't complain about the host country.

director and financial controller for one of their companies in South-east Asia and was slated to eventually take over as chief executive officer. Fancy titles these, but when asked why he gave up his Asia Tobacco job he said the overseas job titles had very little to do with it. "Far better emoluments and savings potential" were, according to him, the main reasons. His stint at his first assignment abroad, however, lasted only long enough to enable him to relocate in Singapore — a move that he began working towards within a few months of taking up the overseas job.

"Professional enrichment was zero," says Sainathan. On the personal front, too, living in a company colony about 25 km away from the nearest town required a lot of adjustments to be made by the family over and above the normal adjustments anyone is forced to make when shifting to a new place. Singapore suits the Sainathans much better. Almost no one can find fault with this well-planned, well-run spic and span model city which is a happy meeting ground of east and west.

Professionally too, Sainathan — currently general manager with Combi Singapore PTE Ltd. — is a happier man. As the possessor of a much-prized permanent residentship (which frees him of work permit restrictions as well as restrictions on setting up on his own), his cup fairly runneth over. "I live well and I have been able to put aside substantial savings too," he says, which is why despite encountering an initial rough patch on his outward journey, Sainathan says he has no regrets whatsoever. Despite this happy ending, the initial rough patch he faced has made Sainathan a strong advocate of the wisdom of doing some serious spadework prior to saying yes or no to an overseas job offer.

Faced with similar initial woes, another manager instead chose to make a quick about turn and head back to India. "I was confident of getting a job as good as the one I had left behind in India, which provided me with all the creature comforts — housing, furniture, car, driver, club membership, etc. The few extra bucks were not worth the professional compromises that I was faced with making," says this manager.



FAMILIARISATION PROCESS

The extra time and money invested in studying the lay of the land prior to signing the job acceptance letter is one that will always pay rich dividends. The normal familiarisation process involves making a few desultory enquiries with friends and acquaintances. Barring close friends and relatives, few such referees can be counted on to give the lowdown regarding drawbacks, minus points, *et al*. Usually, though, on receipt of the almost inevitable all-clear, little time is lost in winging towards the proverbial pot of gold at the end of the rainbow. Dissatisfaction sets in when the rainbow proves to be somewhat less than roseate or the gold diminishes due to unforeseen miscalculations or snags.

Take schooling for instance. Says one expatriate mother of two, currently living in South-east Asia. "One look at the school we had been told our children could go to — and to which most Indian children do, in fact, go to — and I wanted to take the next flight back to India. The only other alternative was the International School, where the annual fees for two children is over US $10,000 whereas we had budgeted for an outlay of only $1,000." Blowing as it did an annual Rs. 1 lakh hole in their estimated savings, their decision may have been different had they known about it earlier. Such disappointments could have been avoided if the intending emigrant had made a short trip to the country of emigration to work out his own cost of living estimates and look into factors such as suitability of housing, schooling, etc. And though too brief a sojourn is not enough to give one a deep insight into the workplace, something is usually better than nothing.

Another useful maxim to keep in mind while bargaining about salary is the inadvisability of underselling one's services. Since money will invariably remain the main yardstick against which opportunity costs will be measured, it had better be substantial enough. How much is 'enough' is a matter for conjecture (some of those who had a Rs. 10 lakh savings target eight to 10 years ago may find that this is not enough to even buy a well-located one-bedroom flat or 500 sq ft office space in Bombay). The general savings expectation is to amass in 10 years what would take a working lifetime in India by way of investments, PF, gratuity, superannuation and the works. Advises Sainathan: "Expect to make at the very least five to six times what you would in India and get your promised remuneration package properly documented."

CULTURE SHOCK

Having once taken the plunge, however, the new expatriate and his family would be well advised to allow a six- to eight-month period for things to settle in their proper perspective. For this is usually a time marked by teething troubles and stress and is a natural consequence of moving to a new country for all expatriates, regardless of where they come from. "Feelings of isolation, depression and acute stress all arise from culture shock — which is virtually an occupational disease of people who have been transplanted abroad or to some new environment," says Dr. Connie Lewis, who has had a 20-year career in counselling behind her and currently heads the counselling centre at the International Community Activity Centre in Jakarta. "The ones who suffer the most are the ones who are deeply rooted to home. A more flexible attitude will certainly help," says Lewis.

PINTO, WITH WIFE AND DOG, IN THEIR JAKARTA GARDEN

For those actually going through this phase, the we've-been-through-it-all-and-it-does-get-better advice of their new friends and colleagues may prove cold comfort indeed. Nevertheless, it also serves to reinforce the fact that the thing to do is to hang on and avoid making any snap judgments or hasty decisions. Such initial wrinkles on the fabric of expatriate life are likely to get ironed out in time. One year should be sufficient, and however intense the initial misery and homesickness, these feelings most often get transformed into a hope that pack-up day doesn't dawn soon.

When exactly the day will dawn is an issue that few can be sure of. Barring those on time-bound postings, for most their time abroad is measured out from one contract renewal to another. Contracts apart, there is also a high degree of vulnerability to external factors such as work permits, the economic conditions of the host country, government regulations, etc. While this uncertainty rarely if ever assumes Damoclean Sword proportions, it is nevertheless something that has to be lived with.

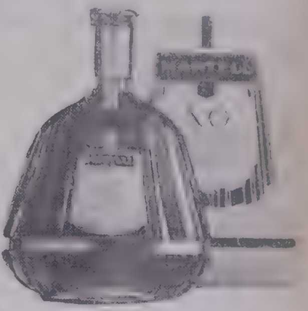
The more obvious question-marks raised by such a here-today-but-maybe-gone-tomorrow situation pertain to savings and job prospects back home. What is, in fact, the top ranking concern of many are not such bread-and-butter issues but one that is understandably closer to the heart — concern regarding their children's passage into the mainstream of life in India. Born or brought up from a very early age outside the country and having had a holidays-only exposure to India, readjustment for most children is a painful process. Apart from the normal new-school-new-friends upheavals involved in shifting, such children have to cope with unfamiliar curricula, new languages, and a way of life they have had little or no exposure to. Says Menon of his seven-year-old son: "In another year or two it would be too much to expect that returning to India will be anything less than extremely difficult for him."

WORK RESTRICTIONS

If children are likely to suffer the most from a move back to India, the working wife is usually the one required to make the most sacrifices in any outward foray. Work permit restrictions normally come between most women and a career, even though some have been lucky enough to be able to continue working. Women who, together with their husbands, are contemplating a move outside are advised to base their decisions on a "no-job" assumption.

In the ultimate analysis, the profit-and-loss statement of the Indian expatriate manager reads as a curious mixture of the quantitative and the qualitative, of tangibles and intangibles, of practical considerations and emotional issues. Neither the profit nor the loss column is likely to be entirely empty for any individual, no matter how extreme his views on a non-resident life. Happily enough, a majority of those who have opted to cross the great divide feel that the gains outweigh all they have had to give up. Whether the individual bottomline is ultimately written in red or black depends largely on the extent to which he knows his mind, has clarified personal and professional priorities and goals and has done his homework regarding the would-be host country and would-be employer. A good dose of plain old-fashioned luck certainly helps.

■ *Sheila Kumar*



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JAPAN

A TIME CONSUMING PROBLEM

Japan's campaign to cure itself of "workaholism" by standardising the five-day week in business and industry, may have chalked up its first significant success. In late March, the Post Office savings bank announced that the system will introduce Saturday closing from early 1989.

Closing "savings windows" in post offices opens the way for commercial banks, which try to attract the same private savings, to introduce a five-day week. This, in turn, should provide an excuse for shorter working hours at numerous small businesses which depend on regular access to banking services to keep their cash positions up-to-date.

Officials at the wages and welfare department of the ministry of labour say shorter working hours should encourage spending by Japanese consumers. Working fewer hours could mean less is produced for export, so the move could ultimately even help to reduce the country's trade surplus, say officials. The department has been preaching the gospel of a five-day working week since 1986 when the idea was first mooted in the Maekawa report on economic restructuring. There is, however, no illusion that the task is going to be achieved easily.

There are two main barriers to be overcome. Individual workers are ingrained with the attitude that hard work is a virtue. Secondly, Japan's economy appears to be structured in ways that make a switch to shorter working hours peculiarly hard to achieve.

A further problem for five-day week propagandists is the sheer novelty of the idea, at least as measured by official figures. According to Tateki Ijichi editor-in-chief of the authoritative *Shukan Rodo News*, a weekly labour publication, only some 28% of Japanese industrial workers and 6.2% of the country's 4.5 million companies were working a five-day week as of late 1986. Ijichi believes that people's working hours have lengthened in the two years since reduction of working hours to "western" levels became an official government target. In 1985, an average employee in a Japanese manufacturing industry worked 2,168 hours. His or her counterpart worked 1,924 hours in the US and 1,659 hours in W. Germany.

In 1986, Japanese industrial employees worked marginally fewer hours — 2,138 hours. This drop was due to employers cutting back on overtime during the recession which followed the yen revaluation. Last year, working hours recovered, however, to 2,149.4 hours. This year they are likely to increase sharply again reflecting the new strength of the economy.

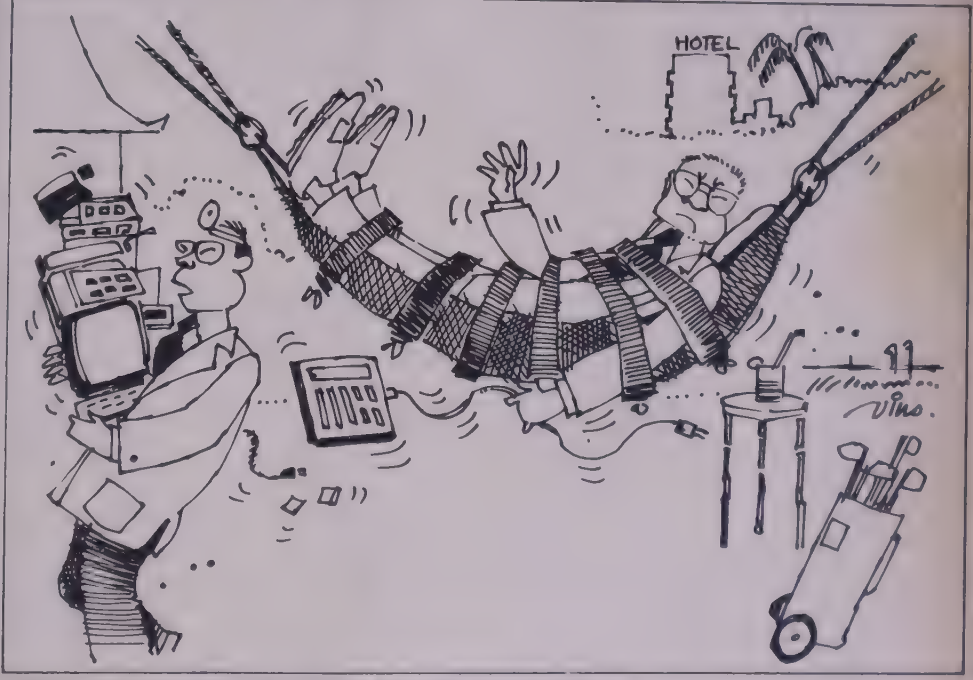
Frustrated efforts. The "stuffy" attitude towards shorter working hours of organisations such as Nikkeiren, the Japan Federation of Employers' Organisations, helps frustrate the government's efforts, Ijichi suggests. Such organisations see long hours as a way for Japan to fight off competition from the Asian newly industrialised countries.

Far more important has been the tendency for employers to use overtime as a safety valve within an otherwise rigid employment system, one of whose main features is the employer's obligation to provide "life-time" employment. Ijichi notes that average Japanese working hours fell steadily during the sixties and early seventies. In 1955, labour ministry data shows that the average Japanese industrial employee worked 2,338 hours including overtime; in 1965, the figure was 2,315, and, in 1970, 2,239.

When the economy was growing fast, employers felt sufficiently confident about the country's long-term economic prospects to increase the size of their regular workforce. Since the 1973 oil-price shock, this process has been reversed. Most major manufacturing companies cut back sharply on their recruitment and imposed heavier working hours on those who remained.

In effect, says Ijichi, long hours and a readiness to work overtime have been the price paid by Japan's shrinking army of industrial workers for job security. In contrast, workers in western industrial countries have tended to trade the opportunity to work fewer hours for the risk of dismissal when times are bad.

In the past six months, the Japanese "safety valve" function of working overtime has been reflected in a steep rise in the hours worked in key manufacturing industries, and even in some parts of the service sector. Ijichi estimates that during the first quarter of 1988, the average industrial employee worked 21.8 hours overtime each month. This is about 80% more than in the last quarter of 1987.



"IF YOU DON'T RELAX, YOU'LL BE PACKED OFF TO WORKAHOLICS ANONYMOUS"

An imposition. Labour specialists regard heavy overtime as an imposition. However, many ordinary workers apparently continue to welcome extra hours as a chance to accumulate savings for the likes of a new car, or for a deposit on a house. Individual workers have failed to take on board the idea urged by labour ministry officials that more leisure should mean more time to spend money and, consequently, a more, rather than a less, affluent lifestyle.

Sogo Yoshimiya, a specialist on working hours at the Japan Private Trade Union Council (Rengo), the country's largest private-sector trade union federation, sees Japan's pyramidal industrial structure as another reason for long working hours.

Yoshimiya suggests that employees in large manufacturing companies, like electronics or motor vehicle manufacturers, may be able to afford the luxury of working relatively fewer hours. But, he goes on, such companies ultimately depend for their viability on the services and supplies provided by small and ultra-competitive companies. Employees in, for instance, the component manufacturing, road transport and printing sectors, work far more than the national average of around 2,100 hours a year. Small trucking companies are well known for the long hours. In part, this has allowed bigger companies, such as Toyota, to use the "just in time" system of inventory control. The manufacturer carries the minimum stocks of parts and components, and relies on trucking companies to deliver additional supplies the moment they are needed in the assembly process.

Ambivalent attitude. A final reason for the slow progress towards westernising Japan's work habits has been the ambivalent attitude of the unions themselves, Yoshimiya concedes. At a national level, Rengo now supports the notion of reducing working hours throughout Japanese industry to 1,800 hours by the early nineties. However, individual unions or union federations have been slow to push for shorter working hours in their annual "wage struggles" with employers. Yoshimiya says that only about half Rengo's member unions plan to play up the working hours issue in their 1987 shunto (spring wage struggle) campaign. The others have opted for a two-pronged strategy whereby employers will be pressed for wage concessions during the spring campaign and for concessions on working hours, during a second campaign during the autumn.

Union reluctance to stress shorter working hours means that Japan may be at least a decade away from the "ideal" of matching western working hours. But Yoshimiya believes that in the past three years the mood has at least begun to change. Signs of change are the start of a full-scale government propaganda campaign in favour of shorter hours, and the reluctant admission of employers' organisations that Japan may have been working too hard means the country is headed in the right direction. The next step is for millions of private companies to follow the government's lead.

■ *Charles Smith*

(By special arrangement with the Far Eastern Economic Review, Hong Kong)

ZAMBIA

THE AXE FALLS ON ASIANS

S.J.Patel's supermarket in Chachacha Road, Lusaka, has disappeared, hastily transformed by sign-painters into a Zambian state-owned chain store. In the next street, Freedom Way, paramilitary forces are guarding other Indian shops shut down in recent weeks by a presidential decree. The same picture is repeated all over the country.

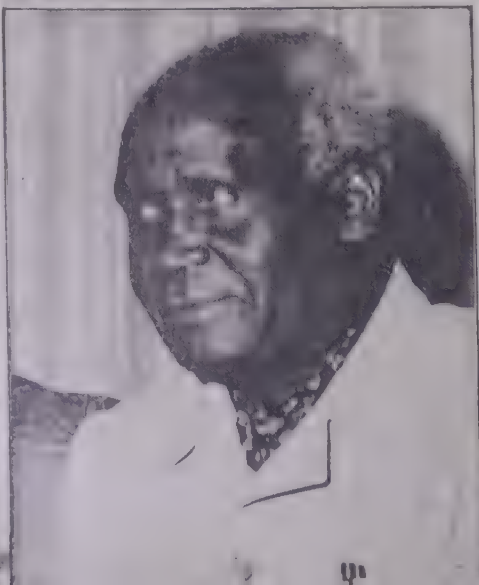
For thousands of Asian businessmen in Zambia, President Kenneth Kaunda's decision since February to use emergency powers and revoke more than 180 trading licences — mostly those of Indians — smacks of Idi Amin's persecution of Ugandan Asians.

The authorities have confiscated dozens of Zambian and British passports from Asians, taken away cash and goods, and threatened to deport those who have lost their licences. So far. 36 of the businesses closed have been listed for summary nationalisation.

About 4.000 Asians in Zambia are thought to have British passports, although most of them do not have the automatic right to live in the United Kingdom. Many have already contacted the British High Commission in Lusaka to enquire about moving into Britain.

A typical leading businessman with plans to emigrate was pessimistic about the possibility of any further investment by Indians in their Zambian enterprises. "The whole Asian community is really jittery right now," he said. "Even if they gave back the shops tomorrow, people would still be living from day to day."

KAUNDA: INVOKING EMERGENCY POWERS



Characteristic case. In the diplomatic community and among other expatriates in Zambia, President Kaunda's decree has been seen as a characteristic case of the Zambian government failing to look before it leaps into a decision on economic policy.

After riots in December 1986 over the price and availability of the staple food, maize meal, the authorities nationalised private maize milling companies. Subsequently Zambia threw out the International Monetary Fund and spurned the advice of other donors. Now Indian traders are being forced out of business.

Zambia seems to have finally run out of scapegoats at a critical time. The queues outside the shops for basic foods such as maize meal, bread, sugar and cooking oil are longer and more desperate than at any time in the past five years.

The government's justification for the crackdown on businessmen was that they were involved in economic sabotage and in the black market. Precious little evidence has been offered to support these allegations, even if every one knows they contain an element of truth.

Certainly, the move against Asians was popular with poorer Zambians in an election year. Many observers regard Asian-bashing as a traditional electoral ploy of African leaders—although hardly necessary in a one-party state such as Zambia where the nature of the elected government and the name of the president are foregone conclusions.

The Times of Zambia newspaper, owned by the ruling United National Independence Party (UNIP), summed up the popular mood about Asians: "Most of them had it coming," it said in a blunt editorial.

President Kaunda, on the other hand, took pains to deny racial motives. "Licences were withdrawn from people who are white, brown, yellow and black, with a flat nose like mine."

Whatever the motives (some blame the crackdown on influential Zambian individuals who covet particular shops, others attribute it to UNIP's long-standing suspicion of private enterprise), the recent closures have done nothing to alleviate the infamous queues.

Sensitive issue. Queueing has recently become a sensitive political issue and a national pastime which rivals funeral-going as a reason to take time off work. To add to the long-standing problems of shortages and smuggling of subsidised food to neighbouring countries, inefficient state companies with city-centre stores seem to have been favoured with supplies at the expense of more accessible private traders in residential areas.

At least three deaths have been linked by the Zambian press to the queueing, and angry scenes outside shops have become common in many parts, particularly the copper-belt region in the north. In March, a 24-year-old housewife was killed in Ndola during a stampede for sugar and cooking oil. She was shot by a policeman, apparently when his gun went off by accident.

More recently,tear-gas is said to have been used on shoppers in Luanshya town centre, and in Chingola a woman and baby in a sugar queue were crushed to death by a delivery truck. Four hundred women were reported to have staged a protest march after the incident.

Dr. Kaunda must feel uncertain about the future after 24 peaceful years at the helm since independence from Britain. Security is suddenly being stepped up around his Lusaka residence.

Zambia at least retains a robust tradition of freedom of speech, even within UNIP. One backbench member of parliament recently suggested that the constitution should be amended to restrict presidents to only two five-year terms. Another MP, Palakasa Chiwaya from the copper-belt town of Chililabombwe, spoke of the gathering clouds of a far-reaching disaster. "If the country continues to decline at its present alarming rate, social unrest may get worse and the government may react by adopting more repressive measures in an effort to contain it."

■ *Victor Mallet*

(By special arrangement with the Financial Times, London)

HONG KONG

THE EMIGRATION FACTOR

Ask Martin Lee, Hong Kong's maverick campaigner for democratic reform, to show firm evidence of a widespread demand for rapid political change, and the response is a foregone conclusion: emigration.

After months of insisting that the problem is being overstated — and perhaps even exploited by pro-democracy lobbies — Hong Kong officials are at last acknowledging that emigration is a potentially destabilising force that could gain irreversible momentum in the nine years before China regains sovereignty over the territory.

Last year about 60,000 people left to settle mainly in Canada and Australia. The net outflow, with returning students and returning emigrants taken into account, amounted to about 27,000, which compares with a historic average of about 20,000. If sustained until 1997 and if the departures continue to be made up mainly of young professionals and managers, the loss could inflict severe damage on the economy and to the hopes of British and Chinese officials that "stability and prosperity" will be preserved into the 21st century.

The Chinese themselves recently took the veil off the subject when Xu Jiatun, who heads the New China News Agency and is effectively China's ambassador in the territory, admitted growing concern in Peking about the exodus, and called on Hong Kong people to think again. Previously, in the words of the head of one executive search company: "It was like Granny's drinking problem — nobody wanted to talk about it."

> ***Some banks have reported losses last year of upto a quarter of their executives due to emigration***

Factual indication. Since then, Xu has made statements so fulsome in their praise of capitalism that he would have been cleaning latrines and undergoing self-criticism a mere decade ago. Such statements are clearly aimed at bolstering confidence in Hong Kong rather than redefining Peking's political or economic philosophy.

The debate over emigration moved out of the irrational and emotional arena for the first time in mid-April with the publication of the first part of a statistical study on the subject by Hong Kong's Institute of Personnel Management. The study — flawed as it is by its

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announces

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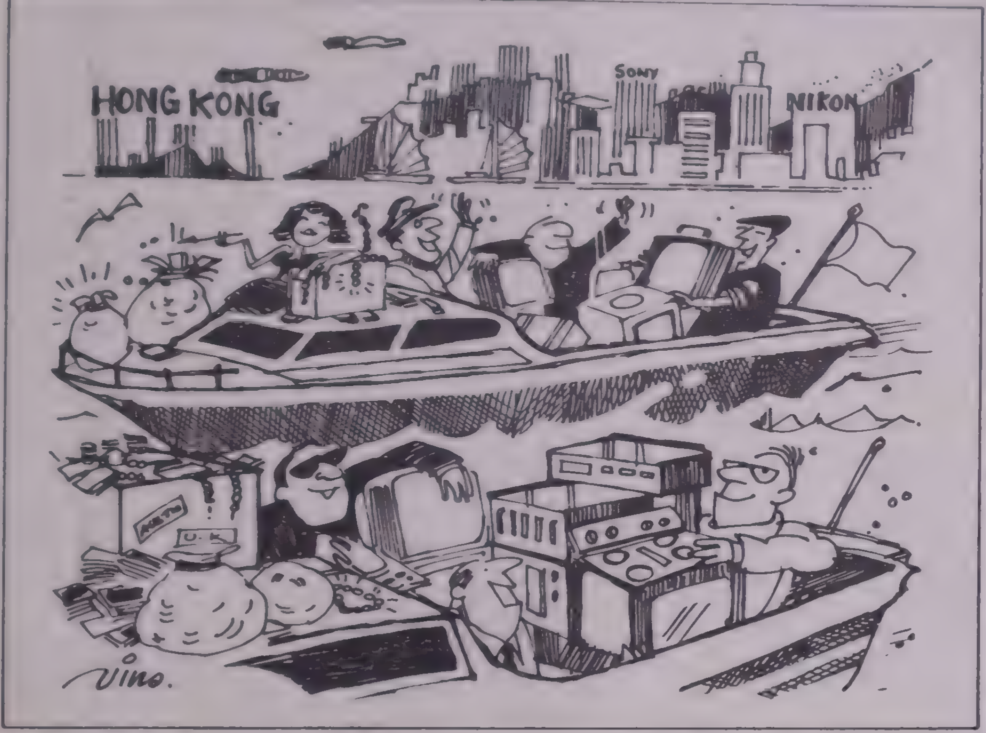
neglect of the manufacturing sector which accounts for 40% of the 2.6 million jobs in Hong Kong, and by a sample base of just 39 major companies — nevertheless provides a clear factual indication of how industry sees the problem.

The sample companies lost 664 employees (less than 1% of the total staff) because of emigration in 1987 — almost double the rate of 1986. But since few clerical or manual staff have the opportunity to migrate, the departures have had a damaging effect on middle management and technical and professional sectors. Almost 80% of those emigrating were aged between 26 and 39.



THE NEW BOAT PEOPLE

The service industries, particularly finance, were the most seriously hit, where some banks have reported losses last year of up to a quarter of their executive staff due to emigration. Even the Hong Kong Bank, which dominates the local banking sector, last year lost 56 of its 670 Chinese executives to new jobs in Canada or Australia. The figures are apparently even higher this year, but the bank has so far been unwilling to release them. Willie Purves, chairman of Hong Kong Bank, comments: "The loss of such people can be made good, but not indefinitely."

Severe labour shortages. The effects of quickening emigration have been aggravated, paradoxically, by the remarkable buoyancy of the economy over the past two years. After two years of double digit economic growth, with exports up by almost 30% last year and unemployment at a negligible 1.5%, emigration has added to already severe labour shortages. Wages have been forced up, although many executives like Greg Crew, managing director of Hong Kong Telephone, have discovered that because emigration is a response to political worries, it cannot be solved by throwing money at it. "Pay rises just don't help," he says.

The government's commitment to localisation has been seriously hampered. So too has its intention to increase the size of the civil service by 4% this year — mainly in the medical services and the police. Even without emigration, the local labour force is growing at just 1.4% a year, and the government commitment is certain to exacerbate labour shortages in its areas of preferred recruitment.

"It's a question of living with higher turnover," says Steven Hunt, head of Bank of America in Hong Kong. With the same realisation. Crew at Hong Kong Telephone has recruited in April an additional 27 graduate engineers — twice as many as the company would recruit in a normal year.

The government continues to claim that the recent surge in emigration is as much due to changes in immigration policy in Canada as to any collapse of political confidence over the past year. They also insist that insufficient attention is given to the number of people who return to Hong Kong after either studying or working overseas.

Sir David Wilson, Hong Kong's governor, recently indicated that 17% of migrants are returning. The Institute of Personnel Management challenges this figure, however, saying that it suggests a bare 10% return.

Even if they do return, no official has attempted to calculate the potential investment that has been lost to the local economy. Almost 11,000 students went abroad to study last year, funded out of family savings. Most migrants to Canada or Australia take with them about C $500,000 (Rs. 65 lakhs) — half as investment to qualify for settlement, and half to buy a home and pay settling-in expenses.

This suggests that billions of Hong Kong dollars are diverted from the economy each year while the current rate of migration continues. This takes no account of such major overseas investments as the intended purchase of Vancouver's Expo site by Li Kashing, one of the territory's most prominent business figures, for about C $300 million.

As Chinese overseas communities grow, so they become less alien to new emigrants, and it is arguable that the tendency to return declines. There are now about 500,000 Hong Kong Chinese in Canada, with Chinese investors owning an estimated 5% of commercial property in cities such as Vancouver.

Hong Kong officials seem nonplussed about the most effective response to the problem. It is clear that the issue of political confidence over the territory's post-1997 future is much more a matter of faith than logic, which means that there is almost no evidence that can be presented to doubters to restore confidence.

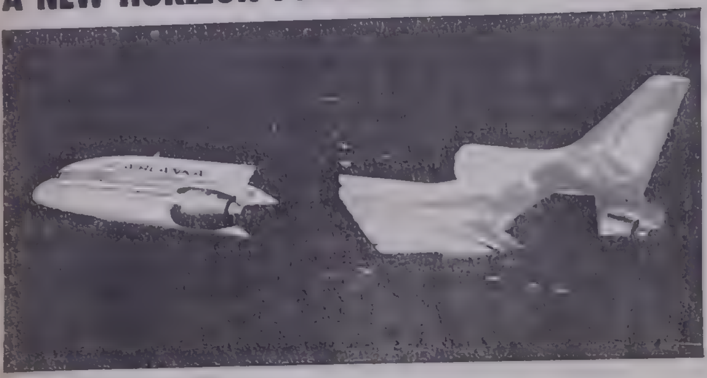
A refugee mentality imported from chaotic early lives in mainland China and the experience of political and economic volatility in Hong Kong over the past 20 years, has left most people in the territory more inclined to flight than fight at times of irresolvable uncertainty.

Sir David Wilson, while not certain about the best remedial measures, apart from maintaining strong economic growth and overseeing rising living standards, is nevertheless clear on one issue: "The thing you certainly do not do is try to stop people from leaving." Mercifully for him, China's officials in the territory appear to agree.

■ *David Dodwell*

(By special arrangement with the Financial Times, London)

A NEW HORIZON FOR AIRLANKA



The political climate is not the only thing turbulent in Sri Lanka. The skies have been overcast for the tourism industry as well, particularly for AirLanka — the international flag carrier of the island nation.

Trying to stem AirLanka's flight into the red are the new efficiency-increasing measures, which are being introduced by the airline's chief executive, John Fleming. An enthusiastic and energetic team is being assembled and bureaucratic red-tape is being snipped to vest responsibility and decision-making in the men on the job. Also, proposals are being worked out with the Ceylon Tourist Board, travel agents, hoteliers, etc., to lure international tourists, who have been keeping away in view of the political turmoil in the country.

The main aim, of course, is to make the airline a profitable entity. "Profitability tells the outside world that we are healthy. And to achieve this my approach has been based on the survival mentality and motivation. The airline has already established a good reputation in terms of service and a good route network. That gives us a stable foundation from which to grow," explains an optimistic Fleming, who has envisioned the brighter future for AirLanka.

NEW CONSORTS FOR THE SOVIETS

Seven major US companies have formed a consortium to negotiate joint ventures for manufacturing a range of goods in the Soviet Union. The consortium comprises industrial giants such as Ford Motors, Johnson & Johnson, Eastman Kodak, RJR Nabisco, Chevron and Archer Daniels Midlands. The seventh member, Occidental Petroleum, has agreed to invest $200 million in the USSR to set up facilities to manufacture polyvinyl chloride for European markets.

Earlier this year, another consortium comprising Occidental Petroleum, Italy's Montedison and Enichem and Japan's Marubeni, in partnership with Moscow, had inaugurated a $8 billion petrochemicals project in the Caspian Sea oil fields area.

The new American trade consortium has already identified many areas for joint ventures. Archer Daniels Midlands is interested in oilseed processing and the production of starch and sweeteners. Chevron and Kodak want to go in for oil exploration and the manufacture of floppy disks repectively. Ford is continuing talks on setting up plants to manufacture cars and vehicle components, while Johnson & Johnson is interested in the joint manufacture of pharmaceuticals and consumer products.

SHIPBUILDING ACCORD

The powerful European Community (EC) has succeeded in persuading Japan to sign an accord in order to infuse some competition into the world's heavily loss-making shipbuilding industry. With this agreement, the European Community is likely to withdraw its threat to charge punitive port duties on the low-cost vessels being sold by Japan. And after signing the accord, the EC and Japan have moved to South Korea to persuade the country's shipbuilders to refrain from slashing prices.

So far, South Korea and Japan have been offering heavy discounts to keep their yards in business. Their tactics have resulted in over-capacity and prices falling below profitable levels. And as prices kept plunging, EC yards reduced their production potential by 64% — from 6.1 million to 2.2 million gross tonnes. But Japan reduced its capacity by just 43%. Now, under the accord, Japan will have to cut its shipbuilding capacity by another 1.5 million gross tonnes to achieve the same percentage reduction as the EC.

BANKING ON FIRST NH

In a drive by Irish and British banks to acquire banks in the prosperous northeastern belt of the US, the Bank of Ireland has recently purchased First NH Banks Inc. of New Hampshire for $370 million. Under an agreement signed in mid-April, the Dublin-based Bank of Ireland will pay $30.50 per share for First NH's common stock (*cf.* Nasdaq's closing price of $25.50). To finance this purchase, the Bank of Ireland expects to tap its shareholders for $119.1 million through a 1:4 rights issue, and by floating $75 million worth of preferred stock through its US holding company.

First NH, which is the largest and most profitable bank holding company in New Hampshire, employs 1,600 people and reported a net income of $23.4 million in 1987. With total assets worth nearly $2.5 billion, First NH is not saddled with any third world debt, and is expected to prop up the Bank of Ireland's group assets from Irish £8.75 billion to about Irish £11 billion.

This acquisition is one of Bank of Ireland's several moves to expand across the Atlantic in an effort to reduce its dependence on the difficult Irish banking market, where bank profits are restricted by tight controls on interest rates and service charges and trade union pressures have escalated personnel costs. The contrasting affluence of New Hampshire, where the average personal income is more than twice that in Ireland, is the primary factor that attracted Bank of Ireland to First NH.

PIRELLI NEVER TIRES

The Pirelli group has just negotiated a deal to purchase Armstrong Tyre Co. from Armatek of the US for $190 million, thus achieving its ambition to establish a stronger presence in the US tyre market. Coming only weeks after Pirelli's $1.85 billion bid for Firestone Tire & Rubber Co. was rebuffed, the Armstrong acquisition will give Pirelli three sorely needed manufacturing plants in the US. And along with Armstrong's 2.5% share of the US tyre market and Pirelli's 1%, the two will feature among the top 10 tyre-makers in the world.

According to Stephen Reitman, a London-based auto industry analyst, "This does not provide the quantum leap they (Pirelli) were going to make with Firestone, but it does give them some breathing space." Meanwhile, a Pirelli spokesman has also hinted "about a proposed reorganisation of the Pirelli group."

GLAXO'S RESEARCH TRAIL

Britain's largest pharmaceuticals company, Glaxo Holdings plc, is planning to build a major drug research centre in the Tsukuba Science City, north of Tokyo. Estimated to cost between Y8 billion (Rs.80 crores) and Y10 billion, the centre, which will concentrate on basic drug research, will employ up to 300 scientists and researchers. It is expected to take three years to complete, beginning 1989.

According to Glaxo's chairman Sir Paul Girolami, the centre is "A crucial factor in the expansion of Glaxo's global research and development facilities ... Our intention to undertake basic research in Japan is symbolic of the internationalisation of our research market."

Glaxo has also earmarked a capital outlay of £1 billion to construct and equip new research and development facilities worldwide during the next five years.

AD BOOM IN JAPAN

Reflecting the new aggressive stance of foreign companies in promoting their products in Japan, American and European companies spent Y39.93 billion (Rs.399 crores) on broadcast and print media advertising in 1987 — a spurt of 6% compared to 1986. In fact, for several imported products, the growth rate in advertising outlays even surpassed that of sales.

Major American cigarette companies and the US chocolate manufacturer Mars Inc. were particularly lavish in their expenditures on television campaigns. Foreign food product ads increased by more than 50% following Japan's relaxation of its import restrictions on agricultural products. In fact, the American department of agriculture, which helps to promote American products in specified targeted areas, has been spending a third of its substantial budget in Japan itself.

LONGEST UNDERSEA TUNNEL COMPLETED

After 24 long years of construction — it all began in 1964 — the longest undersea tunnel in the world was finally inaugurated in March. Known as the Seikan tunnel, it connects the city of Aomori on the island of Honshu with Hakodate on the island of Hokkaido, in Japan. Of the 53.85 km length of the tunnel, 23.4 km is under the sea, with the deepest part being 240 metres below sea level. Regular cave-ins and floods reportedly claimed 34 lives during the 16 years it took to excavate the tunnel.

An 80-year-old system of transportation — ferries — which plied the Tsugaru Channel between Aomori and Hakodate, has been terminated. Now, chugging through the tunnel will be the trains of the Tsugaru Kaikyo line, which will connect these two cities.

While these connections have been forged in the north, the southern tip of Honshu — the largest of the four islands which comprise Japan — has not been ignored either. The inauguration of the Seto Ohashi chain of bridges in April will link Shikoku with Honshu.

SPORTY SUBMARINES

The ultimate status symbol is soon going to be Marlin — a midget submarine. Being touted as a "fun submersible," an "underwater sports car," it opens up a bottomless new world for those who are fascinated by the creatures which inhabit the depths of the oceans. "Piloting a submarine is like flying a light aircraft or driving a performance sports car. It's different, it's exciting," says Marlin's designer Paul Moorhouse, who is an ex-nuclear submarine engineer and a resident of the UK.

Priced at £70,000 (Rs. 16.6 lakhs), the 8.5 metre long Marlin has a surface range of 482 km and can function up to a depth of 360 metres. It has a surface speed of 8.5 knots and an underwater speed of 5 knots, and this watercraft has both commercial and military potential. Powered by an electric engine, it also has a three-cylinder Perkins diesel engine which charges the batteries. Designed to seat two people, the pilot is accommodated in the bow across a large forward window, while the co-pilot is in the conning tower next to another wide-angled window.

IS IT DONE WITH MIRRORS?

PUZZLE
PUZZLE

It's not transparently clear, but that special effect in the photograph above has been achieved by juggling a number of different colour transparencies — which have been posed, imposed and superimposed.

As usual, it's the Japanese who are credited with the development of the equipment to produce this and a variety of other effects. Known as the Layout Scanner, this highly sophisticated machine can get the colour back into faded transparencies, it can coordinate the best bits of several imperfect pictures to create a perfect one and exaggerations in colour or overexposure can be dyed away In fact, colours can be modified or even changed totally — for instance, a dried-out lawn can turn lush green.

Indeed, the advantages are numerous. However, the numbers on the price tag $385,000 (Rs.51 lakhs) are not as easy on the purse as the pictures are on the eye!

Glindia

Positioning for the future.

Glindia's achievements over the years have been many and significant. Besides a major presence in pharmaceuticals, the Company has played an active role in health care and human welfare. The Company manufactures essential life saving drugs and pharmaceutical products for human and veterinary use. In addition, it manufactures a large range of foods and health products and high quality chemicals.

Financially too, the Company has been faring well. Net Sales for the six month period ended 31.12.1987 were higher at Rs. 112.72 crores against Rs. 104.47 crores for the previous corresponding period. Gross Profit increased from Rs. 8.06 crores to Rs. 9.59 crores and Net Profit (after depreciation and taxes) went up from Rs. 3.32 crores to Rs. 3.93 crores.

Glindia is embarking on a massive expansion and modernisation programme. The Company will shortly introduce three new bulk drugs namely Ranitidine, Cephalexin and Griseofulvin. To part-finance this programme as also to augment long-term resources for working capital requirements, the Company is raising funds to the tune of Rs. 20 crores by way of a Rights Issue.

Rights Issue of 20,00,000—14% Secured Redeemable Non-Convertible Debentures of Rs. 100 each for cash at par aggregating Rs. 20 crores.

Terms of the Debentures

Face Value: The full face value of Rs. 100 is payable on application.

Interest: 14% p.a. payable half yearly.

In addition, interest @ 14% per annum will be paid to all applicants from the date of realisation of the application money till the date of allotment.

Redemption: The Debentures will be redeemed at a premium of Rs. 5 in three annual instalments of Rs. 35 each at the end of the 6th, 7th and 8th years from the date of allotment.

Security: The Debentures will be fully secured by a mortgage/charge on the Fixed Assets of the Company.

Buy-Back Facility: The Company will repurchase the Debentures at par provided that the total holding of the Debentureholder does not exceed Rs. 40,000 and the Debentures are held by such Debentureholder continuously for at least one year.

Liquidity: The Debentures will be listed on the Bombay Stock Exchange.

Glindia Limited

(Formerly Glaxo Laboratories (India) Limited)
Registered Office: Dr. Annie Besant Road, Bombay 400 025

Managers to the Issue

SBI Capital Markets Limited
SBI CAPITAL MARKETS LTD.
202, Maker Towers E
Cuffe Parade, Bombay 400 005

HongkongBank
Merchant Banking Division
314, Dr. Dadabhoy Naoroji Road
Bombay 400 001

BANK OF INDIA
Merchant Banking Department
Stock Exchange Building
Mezzanine Floor, Dalal Street
Bombay 400 023

Rights Issue closes on 19th May, 1988

INVESTING IN HOUSES

Buy land, said humourist Will Rogers, they ain't making any more of the stuff. He probably did not have Bombay in mind, a one-time swampy island which has been progressively reclaimed into one of the most expensive places in the world. But his advice is sound all the same — real estate is one of the safest investments going.

In Bombay, in particular, it is difficult to think in terms of buying land — the prices are phenomenally high. Despite this, any new development even in places as far away as Thane (40 km from the heart of the city) is lapped up by the apartment-hungry Bombayite.

Most people invest in real estate, though not necessarily for the purpose of making money. Apartment blocks have been good investments, by and large, but initially houses are not bought purely as an investment strategy. Subsequent purchases, however, are guided by that objective. With equities having lost their lustre, investors are now mainly funnelling their investible resources in real estate (which will not erode in value over a period of time).

If you have enough assets so that your investment in your residence is only about 60% of your net worth, you should consider further investments in real estate.You could choose: (a) land, (b) residential property, or (c) commercial property.

Buying land is fraught with numerous legal problems. In places like Bombay it also requires absurdly large sums of money. The prospects of land as an investment will be tackled in detail in a later article.

Residential property investments require considerably smaller amounts of money and the legal formalities involved in the purchase of an apartment block are in no way comparable to the complexities involved in the purchase of land. Moreover, apartment blocks show a steady rise in value over a period of time but the same logic does not apply to land where the holding period is usually longer before there is a reasonable appreciation. Residential apartment blocks also do not suffer from the problems of encroachment.

Commercial property investments in Bombay require large investible resources in comparison to residential property. Commercial property attracts a higher stamp duty as compared to the 10% stamp duty applicable in Greater Bombay. However, we will first discuss only residential property as an investment alternative.

Demand for flats in posh areas has suffered a sharp setback... Thus Cuffe Parade does not present itself as investment grade real estate at present prices

To come to any worthwhile conclusion, as far as investment in apartment blocks is concerned, it is necessary to take up and analyse each residential locality of Bombay on an individual basis. In this article we will talk about the Manhattan of Bombay — Cuffe Parade.

Cuffe Parade has sprung up as one of the elitist residential areas only in the past 15 years. The proximity to business districts like Nariman Point and Flora Fountain (Fort) has helped real estate prices to rocket. Built on reclaimed land, Cuffe Parade also boasts of some commercial complexes like the World Trade Centre and the Maker Towers.

However, it is a predominantly residential area. The price per square foot rules between Rs.2,300 to Rs.3,500, depending upon the building and the individual apartment (the price of Rs.3,500 per sq ft is quoted in Maker Towers A and B only). However, only about 85% of the price is accepted by cheque, the balance being recovered through unorthodox methods of financing. This means that prices at Cuffe Parade have appreciated by about 209% annually on an average over the past 15 years. The price prevailing in 1972 was only about Rs.65 to Rs.80 per square foot. Naturally, the obvious question is whether this pace will be maintained.

The answer is a definite no. Prices have moved up marginally or stagnated all throughout 1987 and have stayed stable this year. This is not because people do not want to pay more. Rather, it is the fear of attracting the attention of the income tax department. Demand for flats in posh areas has suffered a sharp setback in the wake of the scheme of acquisition and sale of undervalued property devised by the income tax department. The Maharashtra government's decision to levy stamp duty on all resale transactions at the penal rate of 10% has also resulted in a drop in investment activity at Cuffe Parade.

But even though prices will not increase at the same pace as elsewhere in Bombay, it is well nigh impossible that they will move down. There are no sellers in a falling market, particularly in the real estate market. Thus, Cuffe Parade does not present itself as investment grade real estate at present prices.

■ *Gul Teckchandani*

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs.)	YEAR ENDED	SALES (Rs.crores)	EQUITY CAPITAL (Rs.crores)	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	IN DIVIDENDS	EPS (Rs.)	P/E 29 APR	P/B.V 29 APR	PAYOUT	SHARE PRICE 29 APR (Rs.)	MK.CAP 29 APR (Rs. crores)	%CH.CAP Over 15 APR
I.	**AUTO ANC & TYRES**													
1.	CEAT	10	30/06/87	316.07	9.32	36.21	17.93	13.20	4.26	1761	0.19	**56.25**	52.43	−16.66
2.	CHLORIDE	10	31/08/87	107.50	20.66	13.29	22.23	4.46	14.13	4.08	0.70	**63.00**	130.16	3.28
3.	MICO	100	31/12/87	157.58	38.05	22.06	7.94	32.54	15.67	2.61	0.31	**510.00**	194.06	9.68
4.	MODI RUBBER	10	30/04/87	358.60	10.38	4.77	5.84	6.06	8.09	0.92	0.41	**49.00**	50.86	1.03
II.	**BASIC CHEMICALS**													
5.	NOCIL	100	31/12/87	288.10	36.00	49.84	16.14	48.22	9.54	1.81	0.41	**460.00**	165.60	6.36
6.	TATA CHEM	10	31/03/87	193.56	27.19	18.25	20.43	8.31	7.73	1.35	0.30	**64.25**	174.70	4 47
III.	**BASIC METALS**													
7.	HINDALCO	10	31/12 87	372 05	17.81	39.94	9.89	11.48	6.62	1.77	0.15	**76.00**	135.35	2.71
8.	INDIA FOILS	10	30/06/87	104.90	4.38	26.03	18.83	7.19	8.76	1.53	0.29	**63.00**	27.59	3.26
9.	MUKAND IRON	10	30/06/87	266.30	9.82	13.80	7.04	8.14	11.36	6.01	0.22	**92.50**	90.84	10.78
10.	TISCO	100	31/03/87	1416.39	115.30	9.34	7.59	75.91	9.29	1.68	0.24	**705.00**	812.87	5.03
IV.	**CEMENT**													
11.	ANDHRA CEMENT	10	31/03/87	53.94	9.51	−13.80	38.04	0.73	12.67	0.42	1.38	**9.25**	8.80	8.91
12.	ACC	100	31/07/87	760.92	39.88	−57.92	−6.50	0.85	182.35	0.42	11.74	**155.00**	61.81	8.38
V.	**CHEM INTERMEDIATES**													
13.	BASF	10	31/12/87	59.30	2.84	10.15	15.88	7.25	14.07	2.07	0.28	**102.00**	28.97	10.87
14.	COLOUR CHEM	100	31/03/87	66.95	7.94	17.24	3.08	42.44	8.95	1.61	0.42	**380.00**	30.17	11.74
15.	DEEPAK NITRITE	10	31/10/87	23.60	2.43	10.30	5.05	3.99	8.77	1.32	0.36	**35.00**	8.51	25.15
VI.	**COMM VEHICLES**													
16.	BAJAJ TEMPO	10	31/09/87	152.91	6.58	−25.31	4.06	2.64	28.03	1.00	0.47	**74.00**	48.69	3.49
17.	MAH & MAH	10	31/10/87	599.28	19.26	1.11	9.40	5.76	9.98	1.24	0.38	**57.50**	110.75	12.75
18.	TELCO	100	31/03/87	1196.89	53.18	−38.98	−6.45	5.51	87.57	1.21	1.88	**482.50**	256.59	4.32
VII.	**CONS DURABLES**													
19.	ASIAN PAINTS	10	31/12/87	201.72	12.45	32.95	30.02	10.07	14.40	3.99	0.30	**145.00**	180.53	10.48
20.	PEICO	10	31/12/87	385.93	33.32	1.54	−8.12	1.04	32.21	1.72	0.96	**33.50**	111.62	20.72
21.	VIP INDUSTRIES	10	31/07/87	68.40	5.99	−1.39	N.A.	1.43	9.79	0.75	0.84	**14.00**	8.39	21.77
VIII.	**COTTON TEXTILES**													
22.	CENTURY SPG	100	31/12/87	390.80	26.62	4.55	12.57	56.50	14.65	1.44	0.42	**827.50**	220.28	5.75
23.	MADURA COATS	10	30/06/87	200.36	21.81	7.88	14.48	5.14	14.20	2.86	0.49	**73.00**	159.21	1.39
24.	RAYMONDS	10	31/03/87	225.19	22.48	37.75	22.02	5.89	7.64	1.56	0.21	**45.00**	101.16	4.04
IX.	**DOMES CONS PROD**													
25.	COLGATE	10	31/12/86	163.52	15.72	23.25	11.34	6.49	26.81	9.13	0.40	**174.00**	273.53	8.75
26.	HINDUSTAN LEVER	10	31/12/87	933.68	93.32	13.34	22.33	4.98	15.16	3.74	0.50	**75.50**	704.57	17.06
27.	ITC	10	30/06/87	1051.80	33.17	15.26	12.36	5.26	6.65	1.47	0.57	**35.00**	116.10	7.70
28.	McDOWELL	10	30/06/87	145.20	6.40	−2.72	41.58	10.91	7.52	1.33	0.14	**82.00**	52.48	0.00
29.	RECK & COLMAN	10	03/01/88	59.28	4.20	25.17	13.43	13.02	14.44	4.50	0.23	**188.00**	78.96	4.44
X	**ELEC ENGG**													
30.	BEST & CROMP	10	31/12/86	123.56	4.73	−22.28	2.38	1.92	19.27	0.75	0.79	**37.00**	17.50	6.45
31	FINOLEX CAB	10	30 11 86	38 40	1.80	31.45	26.30	17.44	18.06	6.16	0.14	**315.00**	56 70	13 51
32.	GENELEC	10	30/06/87	74.19	2.16	16.60	12.41	6.76	9.32	1.91	0.37	**63.00**	13.61	14.56
33.	OTIS	10	30/11/87	54.28	5.04	18.55	15.36	7.58	23.75	6.19	0.33	**180.00**	90 72	4.35
34.	SIEMENS	10	30/09/87	198 40	20.94	−1.55	2.63	2.48	26.61	1.64	0.42	**66.00**	138.20	11.66
XI	**EQUIP MANUF**													
35.	INGERSOLL	10	31/12/87	77.14	7.89	21.93	15.81	10.99	22.98	6.82	0.27	**252.50**	199.22	13.48
36.	KIRLOS CUMM	10	30/09/87	146.96	26.40	4.23	23.13	3.81	14.44	2.28	0.53	**55.00**	145.20	3.77
37.	MATHER & PLATT	10	30/06/87	42.04	6.40	21.14	14.23	6.13	12.07	3.24	0.33	**74.00**	47.36	−1.33
XII.	**FERTILISERS**													
38.	GSFC	10	31/12/87	357.40	26.94	23.47	15.88	13.07	7.88	1.41	0.23	**103.00**	277.44	19.07
39.	SPIC	10	31/12/86	421.02	34.42	−28.70	N.A.	1.42	24.12	1.16	1.08	**34.25**	117.89	21.24
XIII.	**FOOD PRODUCTS**													
40.	BRITANNIA	10	30/11/87	192.10	12.38	23.92	16.60	6.37	13 66	3.23	0.38	**87.00**	107.71	12.99
41	BROOKE BOND	10	30/06/87	399.50	24.73	18.02	13.94	6.08	15.30	4.83	0.49	**93.00**	229.99	9.41
42.	HIND COCOA	10	30/06/87	73.42	8.40	26.56	18.22	5.31	15.07	4.31	0.28	**80.00**	67.20	12.28

STOCKS SHOOT UP

Equities were again in fine form on sustained speculative support coupled with institutional buying during the fortnight ended 29th April. The long-awaited announcement by Union finance minister N D Tiwari in the Lok Sabha about re-introduction of the investment allowance scheme for selected industries and the tax holiday provision for 100% export oriented units for five years bolstered the market sentiment. Besides, the flow of encouraging corporate news aided the bullish trend. The concessions announced by the finance minister have overnight changed the market scenario and the general feeling is that equities will gain further ground in the coming weeks.

Reflecting the buoyant trend in equities, *The Economic Times* index of ordinary shares shot up from 220.1 on 18th April to 236.8 on 29th April — a spectacular rise of 7.58%. Likewise the *Financial Express* equity index rose from 296.25 to 319.47 during the same period. The *BusinessWorld* index also shot up to 117.10 on 29th April from 103.62 on 15th April.

The highlight of trading during the fortnight was the smart recovery of the Reliance equity which jumped from Rs. 80 to Rs. 116.50 (45.62%) on sustained speculative support. The trading restrictions in the scrip have been withdrawn and carry forward facilities

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs.)	YEAR ENDED	SALES	EQUITY CAPITAL	COMPOUND GROWTH OVER 5 YRS (%)		EPS (Rs.)	P/E 29 APR	P/B V 29 APR	PAYOUT	SHARE PRICE 29 APR (Rs.)	MK CAP 29 APR (Rs. crores)	%CH CAP Over 15 APR
				(Rs.crores)		IN EARNINGS	IN DIVIDENDS							
XIV.	**HEAVY ENGG/PROJ**													
43.	ELECON ENGG	10	31/12/87	113.00	5.65	0.89	13.60	4.60	10.65	0.91	0.33	**49.00**	27.68	8.89
44	GAMMON	10	30/07/87	112.00	2.16	52.05	5.35	19.53	2.57	0.73	0.13	**50.25**	10.85	16.79
45	HIND DORR	10	30/11/87	42.66	2.38	25.48	14.03	16.43	7.00	2.07	0.23	**115.00**	27.37	2.20
46.	ALFA LAVAL	10	30/11/87	51.00	5.21	15.13	15.63	5.37	10.01	1.38	0.34	**53.75**	28.00	3.36
XV	**LIGHT ENGG**													
47.	SKF BEARING	100	31/12/87	83.66	12.35	15.64	7.60	87.77	14.81	3.75	0.25	**1300.00**	160.55	7.43
48	BHARAT FORGE	10	30/09/87	120.10	5.71	33.86	6.63	11.51	10.17	2.06	0.22	**117.00**	66.31	3.55
49	IND OXYGEN	10	30/09/87	131.00	14.60	-9.51	1.03	2.16	14.70	1.49	0.74	**31.75**	46.36	4.96
50	SANDVIK ASIA	100	31/12/87	38.93	5.78	-5.93	9.37	23.53	26.67	2.72	0.85	**627.50**	36.27	0.00
XVI.	**MULTI PROD**													
51.	IEL	10	30/09/87	478.41	40.87	-17.55	-3.37	1.24	27.82	1.22	1.06	**34.50**	141.00	6.71
52	LARSEN & TOUBRO	10	30/09/87	573.10	56.37	7.47	15.43	4.90	17.76	2.24	0.41	**87.00**	490.42	11.54
53	RALLIS	10	31/05/87	225.41	5.64	25.69	11.40	10.30	7.04	0.16	0.29	**72.50**	40.89	0.00
54	VOLTAS	100	31/08/87	363.71	12.78	11.18	6.88	53.60	5.18	0.95	0.30	**277.50**	35.46	6.71
XVII.	**PASS VEHICLES**													
55.	BAJAJ AUTO	10	30/06/87	607.74	18.82	70.08	37.08	34.30	6.12	1.94	0.12	**210.00**	395.22	5.00
56	KINETIC ENGG	10	30/06/87	91.25	1.20	15.57	19.22	20.25	8.64	1.31	0.15	**175.00**	21.00	1.45
57	HIND MOTORS	10	31/03/87	373.01	26.41	-19.96	-2.22	1.17	14.32	0.55	0.85	**16.75**	44.24	4.69
XVIII.	**PEST & AGROCHEM**													
58.	BAYER	100	31/12/87	111.70	16.22	9.38	12.80	27.19	12.32	1.99	0.59	**335.00**	54.34	1.51
59	SEARLE	10	31/12/87	35.00	3.48	35.23	20.34	8.02	12.34	1.85	0.25	**99.00**	34.45	4.20
XIX.	**PHARMA**													
60.	GLINDIA	10	30/06/87	200.97	20.00	9.38	7.36	3.70	18.65	2.89	0.49	**69.00**	138.00	4.55
61	HIND CIBA	100	31/12/87	176.80	17.71	6.26	13.26	38.17	10.74	1.47	0.52	**410.00**	72.61	6.50
62.	HOECHST	100	31/12/87	158.81	9.58	-16.27	-6.52	13.67	36.58	1.35	0.73	**500.00**	47.90	6.37
XX.	**PLANTATIONS**													
63.	ASSAM CO.	10	30/06/87	44.15	7.00	45.90	55.03	6.46	15.48	3.01	0.62	**100.00**	70.00	-1.24
64	McLEOD RUSSEL	10	30/06/87	43.45	6.25	35.83	39.23	8.06	12.41	2.67	0.56	**100.00**	62.50	2.56
65	TATA TEA	10	31/12/87	151.10	12.20	24.81	N.A.	9.04	12.83	2.11	0.50	**116.00**	141.52	3.57
XXI.	**PLASTICS & PAPER**													
66.	BALLARPUR	10	30/06/87	362.66	13.98	-4.74	0.29	3.37	11.28	0.67	0.70	**38.00**	53.12	8.56
67	BHADRACHALAM	10	30/09/87	48.85	10.57	-4.64	7.84	4.16	5.89	1.02	2.00	**24.50**	25.90	4.27
68.	GARWARE POLY	10	30/06/87	76.78	5.81	16.35	21.89	7.57	10.17	2.16	0.29	**77.00**	44.74	5.49
69.	SUPREME IND	100	30/06/87	57.26	1.80	22.32	18.88	101.67	18.20	2.96	0.18	**1850.00**	33.30	18.21
XXII.	**POWER GENERATION**													
70.	CAL ELEC SUPP	10	31/03/87	321.09	8.45	15.53	5.76	11.22	1.19	0.16	0.21	**13.30**	11.24	4.75
71.	TATA POWER	100	31/03/87	330.90	20.00	35.06	11.11	148.20	1.75	0.55	0.11	**260.00**	52.00	38.30
XXIII.	**SERVICE IND**													
72.	EAST IND HOTELS	10	31/03/87	65.93	17.34	11.41	3.52	5.64	9.22	2.24	0.35	**52.00**	90.17	13.05
73	HDFC	100	31/06/87	76.86	19.79	31.44	16.51	46.74	3.12	0.67	0.20	**146.00**	28.89	2.08
74.	20TH CENT FIN	10	30/10/86	17.70	6.34	53.14	54.38	5.98	3.43	0.76	0.30	**20.50**	13.00	10.93
75.	TATA UNISYS	10	31/12/87	27.12	4.38	-1.18	12.19	3.54	20.48	3.97	0.62	**72.50**	31.76	16.00
XXIV.	**SHIPPING**													
76.	ESSAR SHIP	10	31/12/87	60.50	33.42	8.46	25.04	2.33	7.30	0.80	0.86	**17.00**	56.81	5.57
77.	GR EASTERN	10	30/06/87	102.50	31.94	6.72	19.13	2.12	12.85	1.41	0.98	**27.25**	87.04	2.26
XXV	**SYNTHETIC TEXTILES**													
78.	CENTURY ENKA	100	31/12/87	280.20	11.87	16.76	13.59	118.03	12.29	2.11	0.32	**1450.00**	172.12	8.21
79.	GRASIM	10	31/03/87	531.00	21.59	2.68	4.51	4.00	22.63	1.59	0.60	**90.50**	195.39	9.70
80.	RELIANCE	10	31/12/86	989.90	158.26	-13.44	21.35	0.90	129.44	4.47	0.97	**116.50**	1843.73	45.63
	TOTAL			20195.54	1562.14								10836.97	

BUSINESSWORLD INDEX (29TH APR) = 117.10 15 APR = 103.62 (BASE 29TH JUNE 1987 = 100)

EPS: EARNINGS PER SHARE P/E: PRICE EARNINGS RATIO P/B V: MARKET PRICE TO BOOK VALUE %CH CAP: PERCENTAGE CHANGE IN MARKET CAPITALISATION

are now permitted. Besides, the company announced an interim dividend of 30% for the 18 months ending June 1988. Its performance is likely to improve further in the coming months.

Man-made fibres equities were distinctly firm because of the substantial concessions granted to polyester and nylon industries.

Fertilisers and chemical shares were in the limelight on institutional buying and the absence of fresh offerings.

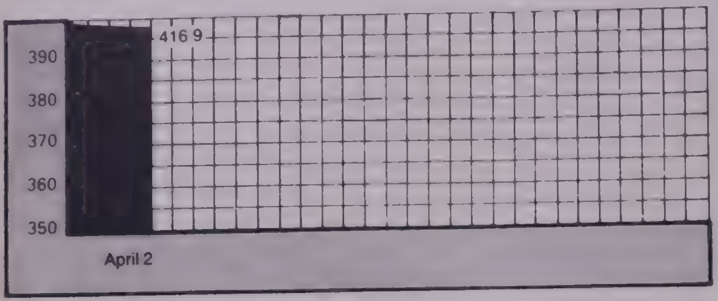
Engineering goods shares were in demand because of the fiscal concessions announced by the finance minister. Engineering companies which made capital expenditure in the past few months stand to benefit substantially. Consequently, the *ET* index for these scrips advanced by 6.93% to 273. Basic metals shares displayed the upward trend on speculative support, and the *ET* index for these scrips hardened by 5.19% to 259.1 during the fortnight under review.

"The recent concessions announced by N.D. Tiwari have again revived the confidence of small investors. And gradually the investors who disappeared from the market last year have started visiting Jeejeebhoy Towers. Further, fiscal concessions are expected in the near future which will strengthen the current bullish trend in equities," says Rajendra Y. Shah, director of the Bombay-based Fidelity Management Consultancy Pvt. Ltd

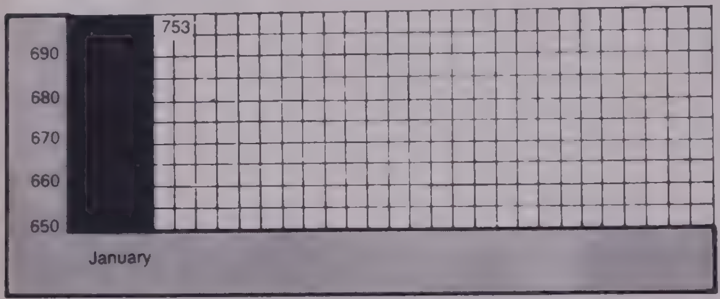
■ *S. Dhruv*

ECONOMIC REVIEW

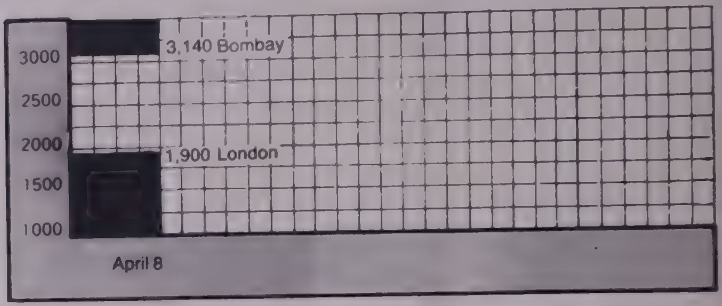
Wholesale Price Index (1970-71=100) 1988



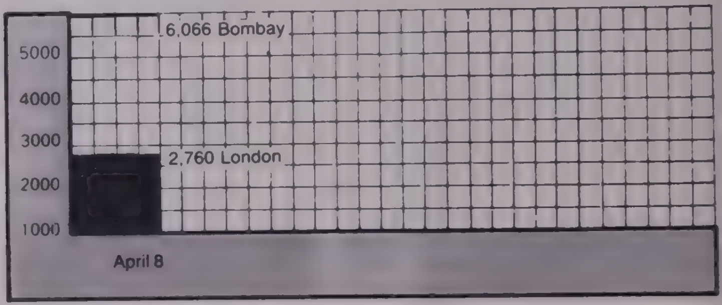
Consumer Price Index for Industrial Workers (1960-61=100) 1988



Gold (Rs. per 10 gm)



Silver (Rs. per kg)



London Interbank Offered Rate' (LIBOR) ruling on 8th April 1988

	One month	Three months	Six months	One year
Sterling Pound	8.13	8.28	8.56	9.00
US Dollar	7.06	7.13	7.25	7.69
West German Mark	3.38	3.41	3.50	3.69
Japanese Yen	3.91	4.09	4.19	4.31

Source: The Merchant Banking Division of the Standard Chartered Bank

*Money Supply (M3)	(Rs.crores)	% change over	
March 25, 1988	1,61,503	Fortnight	—0.01
March 11, 1988	1,61,506	Year	+ 14.8
March 27, 1987	1,40,633	Two years	+ 36.5

*Aggregate Deposit	(Rs.crores)	% change over	
March 25, 1988	1,20,910	Fortnight	+ 0.4
March 11, 1988	1,20,409	Year	+ 14.5
March 27, 1987	1,05642	Two years	+ 37.6

***Foreign Exchange Reserves	(Rs.crores)	% change over	
March 25, 1988	5,025	Fortnight	+ 7.1
March 11, 1988	4,690	Year	—10.1
March 27, 1987	5,592	Two years	—7.3

CSO Index of Industrial Production (1980-81) 1987

January	174.1	July	167.0
February	169.4	August	157.3
March	188.5	September	161.9
April	156.7	October	160.0
May	150.4	November	167.8
June	160.7	December	176.4

Domestic interest rates (% per annum)

	1987 April 3	1988 April 1
Bank Rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)*	6.50	6.50
Call money rate (Bombay)**	10.00	10.00
Exim Bank (suppliers' credit)	8.50	8.50

* *For minor irrigation, land development and under diversified purposes for small farmers, others 8%*

** *Weighted average of rates reported by selected banks*

Bank Credit	(Rs.crores)	% change over	
March 25, 1988	1,03,225	Fortnight	+ 0.3
March 11, 1988	1,02,900	Year	+ 10.8
March 27, 1987	93,146	Two years	+ 28.5

Foreign Exchange Rates (Spot) 1988

	1988 April 8	1987 April 10
One P. Sterling	24.61	20.89
One US Dollar	13.14	12.82
One D. Mark	7.84	7.07
One hundred J. Yen	10.00	9.00

Notes: * *Comprises currency with the public plus deposit money of the public plus time deposit with banks.*

** *Demand deposits plus time deposits with all scheduled banks.*

*** *Including SDRs, excludes gold coins.*

TIWARI BOOST FOR STOCKMARKETS

Finance minister N.D. Tiwari's announcement in the Lok Sabha on 27th April while moving the Finance Bill, 1988, that investment allowance is to be reintroduced for selected, high-priority industries. which are highly capital-intensive in nature, has acted on the stockmarkets like a shot of glucose in a tiring athlete. Prices of pivotals went up sharply and the Bombay stock exchange sensitive index shot up like a rocket by 18 points on a single day on 27th April.

On that day, key officials of the finance ministry were collecting instant feedback on the impact on the stockmarkets of the finance minister's announcement. Officials of the main stock exchanges in the four metropolitan cities and Ahmedabad were in constant touch with North Block. The good news that the markets were moving upwards solely because of Tiwari's Lok Sabha announcement brought gleeful grins to North Block. which had been a gloomy place when prices fell due to bear hammering afer curbs on forward trading were lifted partially as part of stage one of phase two of the Dave Committee schedule.

TIWARI: NEW IMPETUS

But this happy mood in North Block is tinged with caution. It would be too much of a good thing if the markets build on the recent increases in prices and take off on a rampaging bull phase as it happened in early 1985 after the Rajiv Gandhi government took over and V.P. Singh presented his first budget. This is the last thing the government wants. The official thinking is that the markets should behave normally — that is, there should be no violent mood swings, no huge flucutations in prices and indices or bull and bear phases which go on for months if not years. In short, the markets should be emotionally balanced and not behave like manic-depressives.

SOPS IN STORE FOR NEW ISSUES TOO

There is a growing feeling in the finance ministry that the time has come to take a close look at what is happening in the primary capital markets. Till now, officials in North Block have been concentrating on getting the stock exchanges, or the secondary markets, out of the dumps. Now that there are signs that this is happening, the officials are preparing to see what can be done to make capital issues, particularly those floated by new companies, more attractive.

This has become necessary because the only issue to do well in recent times has been Essar Gujarat's. Other issues which were expected to do very well because of their intrinsic worth, like those of Sunflag Iron & Steel and the rights issue of TVS-Suzuki, bombed badly. Things are looking better now because the rise in the secondary market, if sustained for some time, will automatically pull the primary market up. This is one reason why the finance ministry is closely watching the results of some public issues, like that of Samtel.

Some suggestions on helping the capital markets were sent up by officials to finance minister N.D. Tiwari. One of them is to waive the capital gains tax on the sale of shares if the proceeds are invested in new issues. This is one of the long-standing demands of the broking and investing communities who believe that such a concession can do a great deal to prop up both the secondary and primary markets.

Once it was known that an official level suggestion for a conditional waiver of the capital gains tax on shares had gone up to the minister, it was expected that Tiwari would make an announcement while moving the Finance Bill. This has not happened, but it does not mean that the proposal has been shelved. The indications are that it will be revived as part of the finance ministry's exercises to help the primary capital market

SLOGANS HATAO . . .

Indira Gandhi gave us *garibi hatao* The slogan kept her in power for decades. Her son has now given us *bekari hatao*, albeit seemingly with great reluctance. Rajiv Gandhi's new slogan was announced on the last day of the AICC session in Madras, but reports have it that it was practically an afterthought which was literally coined at the eleventh hour the previous night. At the same session, N.D. Tiwari told the audience that all the employment creation schemes of the government are to be joined into one huge programme.

Obviously, this is being done to give substance to the prime minister's new slogan. Tiwari was apparently referring to the Integrated Rural Development Programme (IRDP), the National Rural Employment Programme (NREP) and the Rural Landless Employment Guarantee Programme (RLEGP). But combining these three schemes into a mega-programme is not enough to convert *bekari hatao* from a mouthful of hot air to something which really creates jobs for hundreds of millions of people.

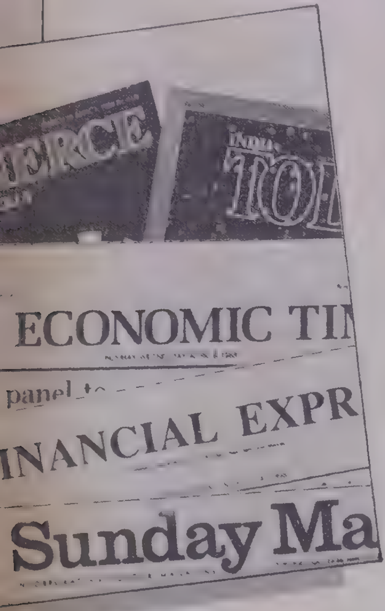
This is clear to the independent observer and there are indications that even the government understands that the deficiencies in existing job-creation schemes have to be removed. Take, for instance, what the Planning Commission has said in its mid-term appraisal of the Seventh Plan.

On the IRDP, the Planning Commission said: "Incremental income of Rs. 1,000 and more was generated in 50% of the cases. However, only 12% beneficiaries crossed the poverty line of Rs. 6,400 while 54% crossed the income level of Rs. 3,500. The experience in the implementation of this programme has shown that provision of assets in itself cannot guarantee income unless the asset matches with the traditional skill and other endowments of the household on the one hand and the demand, supply and infrastructural characteristics of the area on the other."

The top men in the Planning Commission hope the prime minister will read the mid-term appraisal and note their suggestions for making *bekari hatao* a reality. But given the prime minister's attitude towards the Planning Commission, this hope seems more like wishful thinking

MEDIA MIX

It's musical chairs time in the business media. The big guys are all set to shuffle around. And mastheads will carry new names. T.N. Ninan, executive editor of *India Today*, is slated to join *The Economic Times* as executive editor — a new slot created for him. The languishing *Commerce* magazine will have a new man at the helm — the redoubtable Prem Shankar Jha. *Financial Express* already has someone new — Swaminathan Aiyer — who has initiated a massive headhunt. With Rusi Engineer due to take a sabbatical soon from *Business India*, the search for an editor has begun here, too.



Even the mainstream media is in for a shakeout again. Sumit Mitra from *Sunday* is joining *Sunday Mail*. Sunil Sethi, earlier with *Sunday Mail*, is finding the going tough in *Hindustan Times* as senior editor and will probably not last long. And, most important, the grapevine has it that Girilal Jain's record breaking tenure in *The Times of India* will not continue much longer. That will be another race worth watching. Meanwhile, stand by for a flurry of activity in the business media.

GO SLOW STYLE

Clued-in monitors of the working of the Rajiv Gandhi administration are having a good laugh at the prime minister's recent claim that his government not only functions faster but also functions best. On the contrary, there are indications that notwithstanding the IBM PC-XT which accompanies Gandhi on his travels and the monthly flash reports fed into it, decision-making time overruns are the order of the day in contemporary New Delhi.

Here is one example to illustrate how the prime ministerial writ scarcely runs outside his own office. Shortly after the advisory council on programme implementation chaired by Ratan Tata submitted its report about six months ago, written instructions were issued from the PM's office enjoining the secretaries' committee (headed by the cabinet secretary) to evaluate the report's recommendations and submit a cabinet note for the government's consideration by 31st December 1987.

A full four months after the deadline there is still no clue as to when the cabinet note will be ready. So far, the secretaries' committee — which on one occasion last month even summoned Tata for cross-examination — has found time to scrutinise only 12 out of the 33 recommendations made by the council.

POLYESTER POLITICS

Is Reliance Industries Ltd. (RIL) spreading its tentacles even further in the government and its agencies?

Very probably, going by the latest evidence. The super efficient textile company is now about to do business with the loss-making public sector National Textile Corporation (NTC). Reliance has huge unsold stocks of polyester fibre at its Patalganga plant, and these are now to be unloaded on to NTC with the government's blessings.

But the problem is that NTC itself has unused polyester fibre gathering dust at its mills (the corporation is supplied the polyester free of taxes in order to make blended fabrics at inexpensive prices). RIL executive director Anil Ambani was present at a recent meeting of the chairmen and managing directors of NTC subsidiaries in Delhi, at which it was decided that Reliance would not only sell polyester to NTC, but also offer its design expertise for fabrics intended for the Russian market (Reliance has a design wing called Impressions). Some have smelt a rat in the deal. Business does make for strange bedfellows, doesn't it?

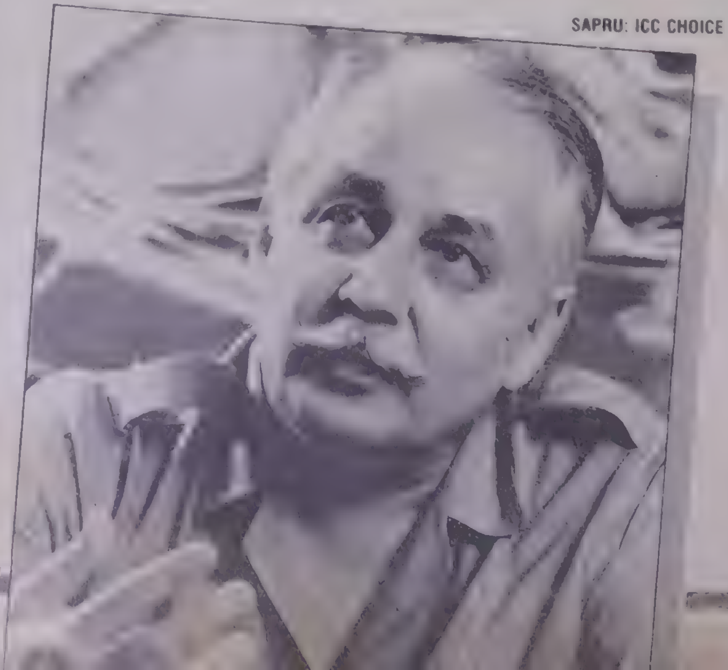
CHAMBER CHAOS

A new front has been opened at Calcutta in the bitter on-going battle of attrition between Ficci and Assocham. This time, the proxy war involves the two apex bodies' respective Calcutta-based founder members — the Bengal Chamber of Commerce and Industry (BCCI) which is affiliated to Assocham and its down-the-street neighbour, the Indian Chamber of Commerce (ICC) which is a part of Ficci.

At the end of April, ITC's vice chairman Samir Ghosh (56) took over as president of BCCI. Also, last fortnight, his boss at ITC — chairman Jagdish Sapru (54) succeeded Rajive Kaul as president of ICC. A situation where the chief executive of a company and his designated number two are the respective presidents of rival chambers is absolutely without precedent.

The fallout of this curious happenstance will be watched with obvious interest by corporate monitors. Already, the Ficci camp is crowing at the tactical "victory" of having the chairman in its camp while only a "mere" vice chairman heads the rival chamber. On the other hand, optimists predict that given ITC's professional and impartial standing — and non-involvement in chamber politics — the two representative bodies will actually come closer now.

SAPRU: ICC CHOICE



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JUNE 8-21, AN ANANDA BAZAR PUBLICATION RS.5

BusinessWorld

- 100 CCs: THE BAJAJ COUNTER-THRUST
- BEST & CROMPTON: TAKEOVER TARGET
- THE ATV PROJECTS SHARE TANGLE
- MRTPC: EFFECTIVE WATCHDOG

The days of marketing innocence are over. In the building crush of competition, Indian companies are learning the art of

CORPORATE COMBAT

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PLANNING FOR GROWTH

The ball for India's Eighth Plan was set rolling last fortnight with a full meeting of the Planning Commission being held under the prime minister's chairmanship. Yet again comes the quinquennial opportunity to give shape and contour to national aspirations, to reset overall priorities and to mould a consensus from a complex pot-pourri of often conflicting needs and wants. For the citizenry's sake, one wishes the commission well.

The initial imperatives have already been outlined. The savings rate has to be pushed up to 28%, the annual growth rate must hit the 5.5%-7% range and the incremental capital-output ratio must be brought down to between 4-4.5 by commensurately raising the efficiency of production.

None of these is an impossible task. Countries like South Korea and Japan have recorded savings rates of as much as 30%. The newly industrialising economies of Asia have averaged real GDP growth of 11.4% in 1987. And as far as paring the capital-output ratio is concerned, a mere reduction of the construction timeframes and gestation periods of public sector megaprojects would do the trick.

So it is not a question of whether the broad quantitative targets defined by the Planning Commission are realistic or not. They will be, given the will. And there lies the rub. If the pursuance of ambitious national targets has to be pressed with a crusader's zeal, the political leadership of this country needs to master certain positive attributes. The least of these is the courage to take unpopular decisions. With elections due in less than a year and a half, it is anybody's guess whether the present leadership is up to the challenge or not.

Besides, there is the urgent need to imbibe a measure of self-confidence in our doings. Taking a wider perspective, the startling fact (confirmed by Asian Development Bank data) is that developing countries in the Asia-Pacific region have contemporarily achieved higher growth, lower inflation and stronger balance of payments and external debt positions than the developed world as a whole. The region acknowledgedly has the potential of emerging as an economic force during the nineties. It goes without saying that India cannot afford to be left out of this action-oriented scenario.

At this point, it might be worthwhile to stipulate the boundaries of the innovative daring which one expects a progressive leadership to show in drawing up the Eighth Plan. For one, growth at the cost of ecological degradation must be entirely and expressly unacceptable. India's vanishing forest cover and putrid river waters tell a stark enough tale. Again, no reduction of investment in social capital ought to be permissible — even at the risk of casting a partly unremunerative burden on the citizens' collective shoulders.

There is no doubt that efficiency must be the central focus, thrust and theme of the Eighth Plan. In the past, temporary efforts have been made to tackle this issue (e.g. Indira Gandhi's call for a 'year of productivity' in 1983), but efficiency has never been promoted as an overriding national cause. The time to do so is now, and the pre-plan exercises are a wonderful opportunity to weave this cause in the warp and woof of our economic processes.

BusinessWorld

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COVER FEATURE

CORPORATE COMBAT

The increasing crush of competition has made the Indian marketplace a more exciting place of late. Cut and thrust, attack and defence, guerilla warfare and, yes, even below-the-belt blows are becoming the norm rather than the exception. Welcome to marketing warfare, Indian-style.

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SPOTLIGHT

EFFECTIVE WATCHDOG

The Monopolies & Restrictive Trade Practices Commission has developed an effective bark that compensates for its lack of bite. Consumers have been quick to recognise it as an ally to fight corporate giants attempting to take them for a ride. The message: caveat manufacturer.

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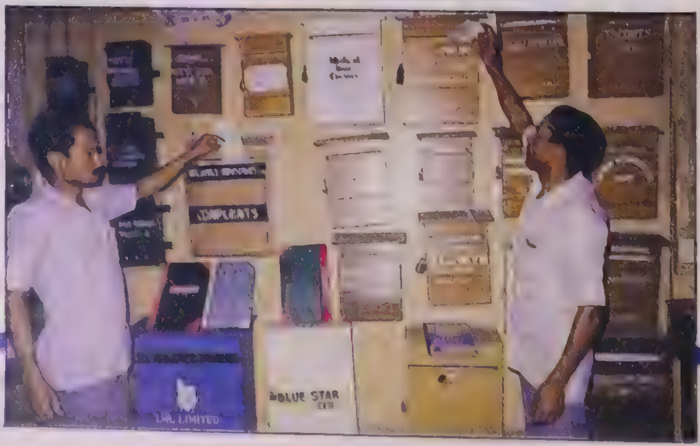
THE MRTPC's 'CORRIDOR OF COMPLAINTS': CONSUMER POWER



COMPANY NEWS & EVENTS

ATV SHARE TANGLE

Strange things are happening to the ATV Projects scrip on Dalal Street: the share has been both overbought and oversold to the tune of three times the company's equity capital. What is the mystery?

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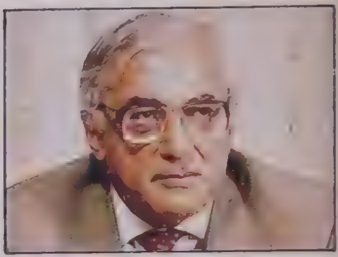

THAPAR: BUILDING BRIDGES

IN THE NEWS

ASSOCHAM'S NEW FLAG-BEARER

Lalit Mohan Thapar, the new president of Assocham, sees his task as one of "building bridges with the government." Having burnt his bridges with Ficci, the organisation he quit some months back, the government surely offers a better bet.

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A MEGABUCK FUTURE

Unitech Ltd., a civil construction and engineering group headed by Ramesh Chandra, has plunged into real estate development in a big way. It is looking forward to a rosy future.

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A CONFIDENT AGENT

After Bofors and HDW, agents in general have got a bad name. But there are agents and agents. The Bangalore-based Mohan Mascarenhas is one of the latter.

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CEI'S NEW INITIATIVE

With the gradual erosion of the Indian work ethic, productivity in industries has taken a beating. The CEI's eastern regional chapter has launched programmes to reverse this tide.

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BANKING ON EXPANSION

With a decent track record in the past, the private sector Vysya Bank is thinking of expansion in a big way.

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ECONOMY & BUSINESS

ANOTHER TAKEOVER TARGET?

Best & Crompton, the Madras-based engineering and contracting company, is reportedly a takeover target for the Hindujas. The company, however, isn't exactly in the pink of health.

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PATCH-UP IN AIR-INDIA?

For a few weeks, it seemed as if Air-India was in for a nasty round of dirty linen-washing in full public view. But managing director Rajan Jetley appears to have succeeded in getting dissenters on the board to pipe down.

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SLANGING MATCH

It's an endless controversy. The tyre industry complains about high taxes. Consumers and the government allege a cartel and unduly high prices. Yet another slanging match is on: the loser, the consumer.

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BIKI OBEROI: WORKAHOLIC

NO ADMAN'S MECCA

Ahmedabad has been inhospitable territory for the advertising industry.

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MONEY DOWN THE RURAL DRAIN

The plethora of rural development programmes has largely failed to make much headway.

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PERSONALITY

HOTELIER EXTRAORDINARY

Biki Oberoi is a hotelier with a difference. Often he gets labelled as a *bon vivant*, but in reality he is a workaholic and not much of a socialite.

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SPECIAL REPORTS

100 CCs: THE BAJAJ COUNTER-THRUST

Kayoed in the first round of the 100 cc mobike war, Bajaj Auto, the undisputed champion in scooters, has launched a counter-offensive in the second round.

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JAW-JAW OVER HALDIA PETROCHEM

For a proposal that was mooted over 11 years ago, the Haldia Petrochemical project continues to hang fire. It continues to be a political football.

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PALKHIVALA: CONTROVERSIAL ACTIONS

Associated Cement Companies' (ACC) chairman Nani Palkhivala seems to be fighting a rearguard action these days. At the centre of the controversy over allotment of ACC convertible debentures, Palkhivala says "there is an attempt to deliberately malign the company."

"Our action (in not alloting debentures to three big groups) reflects the highest moral standards known to the corporate world," he says. "And yet you have people like him (Bombay Dyeing chairman Nusli Wadia) making allegations. All the reports in the press emanate from one source." (Wadia has moved court to challenge the debenture allotment.)

"It's very unfortunate," Palkhivala adds in an emotion choked voice. "I used to work for Nusli's grandfather and father. I have even worked for him. In fact, Wadia told me that he wanted to be more than just an investor. He wanted to take over the company. I told him not to apply."

A Rs. 10 crore Tata application was also rejected, but Palkhivala denies that it has anything to do with his being eased out of the Telco deputy chairman's post. "I wasn't eased out, I left," he says. "My relations with the Tatas are as good as ever. I am just as important to them." But Palkhivala does not seem to be cementing many relationships these days.

GAVASKAR: HEALTH IS WEALTH

The question "What is Sunil Gavaskar up to these days?" — which was doing the rounds in a series of teaser ads in the national press recently — seemed to have been answered at last. *À la* Mansur Ali Khan Pataudi, he had taken up editorship of a sports magazine.

But the maestro is on a different trip too — a health kick. His health plan, he says, is what has kept him fit all these years. "It has taken me quite some time to give a concrete shape to my recipes and to convert them into consumer products," adds Gavaskar.

There is more cooking than just that, of course. Gavaskar is helping plug the All Seasons Foods range of instant energy-based products. "All Seasons has encouraged me to develop my recipes into consumer products."

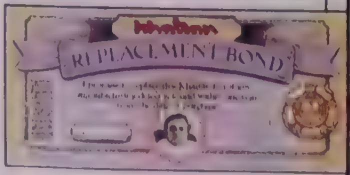
How much of a hand Gavaskar has had in product development is anybody's guess. One cannot really imagine Gavaskar meticulously working out recipes for juices, soups and shakes. But he is undoubtedly getting a pretty packet to promote All Seasons. As he himself puts it: "Health is wealth." For him, the old adage has obviously more than one meaning.

In the highly competitive Rs. 160 crore fans market, where over a dozen all-India brands are constantly jostling for an edge, the name of the game is innovation. India's uncrowned fans king Shree Krishna Khaitan — one of the top three names in this high-profile industry — has just socked one to his competitors with a one-of-its-kind customer friendly marketing gambit.

Each Khaitan fan is now accompanied by a snazzy "replacement bond" in which Khaitan gives a signed undertaking to replace the product within a year, no questions asked, "if any manufacturing defect is found." To drive the point home, the Khaitan name is embossed in 11 languages and his photograph appears alongside for good measure. And the gimmick seems likely to enlarge the Khaitan fan club.

Neither is this emphasis on the Khaitan name merely an ego trip. Explains Khaitan: "The involvement of the family name keeps us on our toes. A poor product would disgrace not only the company but the entire family."

In the Rs. 60 crore Khaitan group (which makes electrical appliances other than fans), the conviction that it's all in the name thus has been actually operationalised into a serious marketing strategy. Clearly, Shree Krishna Khaitan is out to prove Shakespeare wrong.



Khaitan

REPLACEMENT BOND

KHAITAN: DISPROVING SHAKESPEARE

LETTERS TO THE EDITOR

THE GROWTH HORIZON

MISSING FACTOR

Your Cover Story on Crompton Greaves titled 'The Growth Horizon' (*BW* May 9-22) was remarkable for its in-depth analysis of the company's performance in the eighties and projections up to 2000.

This could happen not only on account of the able stewardship of the present management team led by K.K. Nohria, as illustrated by you, but also because of the solid foundation of a professional "work ethic" laid by past management leaders.

Your article would have been more complete had you referred about P.R. Deshpande (70), the first MD of Crompton Greaves: S.K. Mohile (66), the second MD; and the late S.G. Padhye, who died in harness as the third MD.

These three excellent engineers gave their whole careers to the company, and brought in the British industrial tradition in the fifties and the sixties. But in the late sixties, they quickly turned to Japan and the USA for new horizons in technology, productivity and industrial culture. Scores of former Crompton Greaves executives like me (20 years) and their families will miss these names. Hence this rider to your otherwise perfect coverage.

S.P. RANADE
Managing director
Maharashtra Industrial & Technical Consultancy Organisation (Mitcon) Ltd.
Pune

VST CHEERS ART LOVERS

A recent cultural programme organised by VST Industries of Hyderabad in association with the Madras Telugu Academy to promote national integration on 7th and 8th May brought together all-time greats from different parts of the country like Dr. M.L. Vasanthakumari, Pandit V.G. Jog and Sonal Mansingh, who offered a unique fare of *jugalbandis*. Art lovers of Madras have reason to thank the company for treating them to such excellent fare year after year free of cost.

What surprised and pleased the sponsors and the artistes was the applause and appreciation the performance received from the audience which has been used to more conventional fare in both music and dance. This only proves that art transcends all barriers of language, caste and creed, and styles don't matter as long as it's a treat to the ear and the eye.

Over the years all over the country there have been *sangeet sammelans*, jazz *yatras* and *jugalbandis* sponsored by VST, which is in the forefront of corporate sponsorship today.

N. MEERA
RAGHAVENDRA RAO
Madras

MORE BOOK REVIEWS, PLEASE

May I suggest that *BW* should devote more space to books — particularly Indian books on business and management?

Short summaries about the publications, if not detailed reviews, in two or three pages per issue can give coverage to about 12 books in an issue. I am sure books are being sent to *BW* by publishers.

S. BALACHANDRAN
Bombay

TELEGRAM REFUNDS

Although the number of telegrams sent by post has decreased from 3% in 1981-82 to 0.8% in 1986-87, still 9.63 lakh telegrams in 9 circles were sent by post in 1986-87. More than 14% in Maharashtra and Madhya Pradesh, 20% in Bihar and 32% in UP were sent by post.

The departmental secretary admitted to the estimates committee of Parliament (59th report of eighth Lok Sabha) that in such cases, "strictly speaking, the telegram charges collected should be refunded." However, in practice, during 1986-87 barely Rs. 6,80,119 were refunded in 6,812 cases.

No wonder, the parliamentary committee has commented: "Considering the large difference in cost of communication by telegram and post, the committee finds no justification either *morally* or *ethically* (italics mine) for the department to pocket the telegram charges for telegrams sent by post or delayed beyond normal postal delivery period."

The committee has called for automatic refund, through an amendment of the rules. Obviously, the department will not be in a hurry to amend the rules, which will end its bonanza. Therefore, members of the public should claim refunds to which they are entitled. Three guidelines for claims refund are: (1) When the delay exceeds postal mail time in the case of ordinary telegrams, (2) half the postal time in the case of express telegrams and (3) the purpose of the telegram has not been served (e.g. the person about whose arrival the telegram is sent from the starting point reaches the destination before the telegram).

M.R. PAI
Bombay

DISGRUNTLED MILK BOARD

The Economy & Business Brief 'Operation Flood: the third wave' in the issue dated March 28-April 10, is based on several factually inconsistent data about Operation Flood.

The third phase of Operation Flood has an outlay of Rs. 915 crores, of which Rs. 486 crores (US $360 million), and not Rs. 468 crores as mentioned in your report, will be financed from IBRD/IDA loans. The EEC will provide Rs. 222.7 crores worth of SMP (skimmed milk powder) and BO (butter oil) — 75,000 and 25,000 tonnes respectively — and the remaining will be met out of NDDB's own resources through reflows.

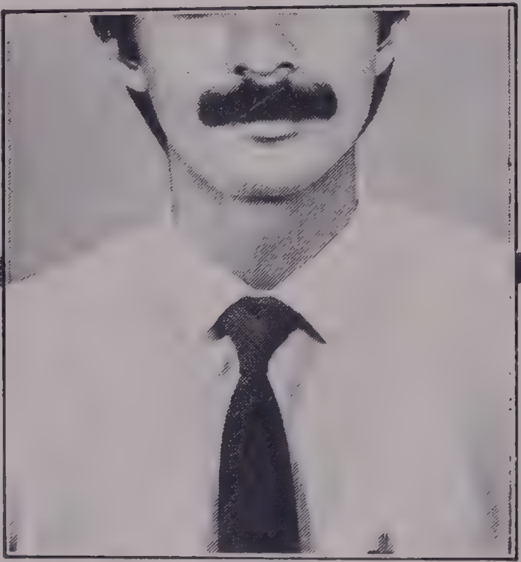
The report adds that a new feature of the third phase is to prevent imported commodities from depressing the prices and production of milk and milk products. This is not at all a new feature. One of the major objectives of Operation Flood has always been to provide the producers an access to the market and thereby enable them to obtain remunerative prices.

Evidence clearly indicates that there has not been any dampening effect either on milk production or on producer prices. In

APPOINTMENTS

YOUNG PROFESSIONALS

CHALLENGING OPPORTUNITIES FOR ENGINEERS/ CAs/ICWAs/MBAs



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The Group requires motivated young Engineers, CAs, ICWAs and MBAs with a good track record and 3-7 years' relevant experience in manufacturing/materials/engineering/ quality control/finance/marketing/maintenance/vendor development/machine design/R&D/HRD and personnel/manufacturing engineering. Engineers may be M.Tech., B.Tech., or Diploma holders.

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The Group offers a professional and challenging work environment to result-oriented personnel. Selected candidates will be placed in the common management pool, at levels commensurate with qualifications and experience.

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ULKA-D-GIL-439-A

fact, the EEC, while approving commodity aid to Operation Flood III, has remarked that "wholesale and retail milk prices have risen steadily since the inception of Operation Flood." Between 1970 and 1987 the wholesale price index of milk and milk products showed an annual increase of 7.1% as compared to 7.9% for food articles in general. The country's milk production which had stagnated at around 20 million tonnes prior to Operation Flood, averaged 4.6% growth between 1970 and 1978 and 6.2% in the decade 1978-88.

Procurement prices of milk paid by the Delhi Mother Dairy, for example, to the various state dairy cooperative federations has more than doubled between 1977-85, a span of just 8 years.

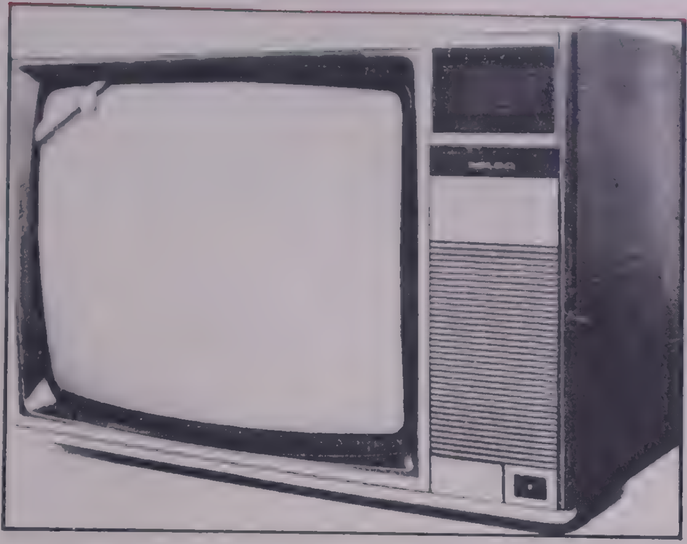
The allegation that imported commodities were used for direct sale as butter oil and for the manufacture of baby food is again not factually correct. The donated dairy commodities in Operation Flood have primarily been used for recombination (SMP, BO, and white butter) to be sold as liquid milk.

It is a pity that your magazine should publish a report without ascertaining the correct facts from the project authority.

P.C. BARDHAN
National Dairy Development Board
Gujarat.

NO QC ON NELCO CTVs?

In your Cover Story 'The Nelco turnaround' (*BW* April 11-24) Ratan Tata has stated that the role of the company's chairman is to set the fabric, the standards of the corporation — the value systems, moral systems, and the quality standards. If he is not airing platitudes but is asserting an ideology to which Nelco is committed, my experience in the matter of a Nelco-produced colour TV belies his grand assertion.



I bought a Chroma DX Nelco CTV on 21st June 1986. Nine days later, its picture tube was dead and had to be replaced by Nelco, Madras, at a cost of Rs.3,200 billed to me. I wrote to Ratan Tata on 27th July 1987 about the sad experience that exposed the lack of quality control on the product. The Tata ethical and moral standards now proclaimed by him were taken for granted by me. Not unreasonably did I expect a replacement of the picture tube or some compensation for the manufacturer's shortcoming evidenced in the premature failure of the picture tube. On 28th September, the manager (customer support), Bombay, replied that picture tubes used in CTVs are canalised through government agencies and as such no compensation could be given. Nelco could have reported the defective tube to the agency concerned (ET & T, under the department of electronics) and secured and passed on the benefit to me, the aggrieved customer.

The sort of customer support expected of the esteemed organisation was woefully lacking in this instance. It was a disillusioning experience. The age-old traditional reputation of the house of Tatas must not be eroded or sullied by such or similar customer indifference as displayed by those in the lower hierarchy.

I appeal to the chairman of Nelco and the top management of the Tatas to tie up such loose ends in marketing and quality control and continue to earn and keep sacred the trust that the consumer places in them. Let it not be *caveat emptor*.

P.SUNDARESA MENON
Madras

UNHAPPY OMNI BUYER

My experience with the Maruti Omni is similar to that of A.H.Lakhani, whose letter appeared in your issue dated May 9-22. My ACTG (air-conditoned tinted glass) Omni was purchased from Sai Services on 4th April. On the way home, we were stranded half-a-kilometre away as there was no petrol in the tank. I had to go back to Sai Services to bring petrol before I could proceed

After the first servicing the right door has been rattling far more than my 15-year-old Fiat. The bumps on the pre-monsoon roads are neck-breaking and the solution suggested is to carry a load at all times.

I noticed that the engine heated up the seat and the surrounding sheet metal so much that one could not even touch these parts. The torso was in heaven (due to the air-conditioning) but the bottom was in hell. The Maruti representative at Sai Services, when contacted, said that this could not be helped as the engine is located below the seat. It is a matter of common sense, whether Indian or Japanese, that when you sell an air-conditioned van you have to provide better insulation to reduce the heat in the passenger compartment. After doing the insulation ourselves, the cooling is now quite uniform.

Then in two weeks the engine started overheating. One day we got stranded on the road as the temperature needle went beyond the maximum point. Later it was ascertained that the water hose had come out. The day after the repairs, the engine got overheated again. This time the culprit was the thermostat which appears to be Japanese and it was removed. Sai Services did not replace the thermostat, saying you don't need it in a place like Bombay. I wonder why it was provided in the first place.

New technology, new work culture, etc. are mere buzz-words to cover up Maruti's problems. It is convenient for them to blame indigenous component suppliers. I wish I had remained loyal to my Fiat

Y.H.HABIBULLA
Bombay

100 CCs: THE BAJAJ COUNTER-THRUST

The battered contestant in the first round of the 100 cc mobike war is all vim and vigour in the second. In a classic demonstration of the attack-is-the-best-form-of-defence theory, Bajaj Auto has struck at its rivals' Achilles heel: price. Bajaj's souped up KB 100 RTZ bike has been priced at a level that gives it a clear Rs. 2,000 advantage over competitors, leading rivals to suspect predatory pricing. But Bajaj is not about to relent. "Our immediate objective is to be No.1 in the two-stroke category of 100 cc motorcycles," declares Arun Pande, general manager (marketing) of Bajaj.

It's too early for predictions, for it's been barely three months since the revamped model was launched. But the initial portents are encouraging. The company sold a meagre 55 vehicles in January 1988. But by March more than 2,000 were being driven off from retail outlets. The performance is reported to have been even better in April and May, though accurate figures are not available. "Going by basic customer reception and initial sales figures as well as the rate of build up of sales, we feel the response is pretty good," says Pande cautiously.

Pitiable share. However, market leadership is still a long way off. According to figures put out by the Association of Indian Automobile Manufacturers (AIAM), in the two months after the relaunch (February and March), the Kawasaki model has been bought by 2,458 consumers as against total sales of 37,065 for all 100 cc mobikes. That gives Bajaj a pitiable 6% share of total sales. Besides that, the Bajaj bike still ranks No.4 in a field of four. Escorts' Yamaha RX 100, despite its high price and relatively low fuel-efficiency had a market share of 21.5% in the first three months of 1988. Hero Honda, of course, continued to rule the roast with a hefty 42.2% market share while TVS-Suzuki took the second place.

However, there is no denying that Bajaj-Kawasaki is revving up even as sales of Hero Honda have fallen in the current year. Most of the latter's decline has been accounted for by an increase in Bajaj's sales.

What has the new Bajaj Kawasaki got that the old one hadn't? A new suffix, RTZ, for the KB 100 model. No one's quite sure what the RTZ stands for, but it sure lends razzmatazz to the old name.

More important, the KB 100 RTZ is believed to be an improvement over the earlier model. Particularly significant are the changes effected in the gears and some other parts. Says Pande of Bajaj: "By re-engineering customer-related features, we have in our hands now an excellent vehicle capable of outstanding performance, economy and value for money to the customers." Rival manufacturers and customers too seem to agree that the KB 100 RTZ is a good product. "The gears in my old model always gave trouble. Now I hear that the gear box is absolutely perfect," muses a Kawasaki buyer who has got stuck with the old model.

The improvement in quality has been accompanied by a super competitive price. The Bajaj Kawasaki is being retailed at Rs. 15,990, making it the cheapest 100 cc bike in the market. The closest in price, the Hero Honda CD 100 DX, is over Rs. 2,300 costlier and the Yamaha RX 100 is Rs. 3,200 dearer. To add to this advantage, some Kawasaki Bajaj dealers are offering pay-as-you-can schemes of financing. In Bombay, the main market, prospective buyers can drive away with a KB 100 RTZ on a down payment of just Rs. 4,456. The balance, as is usual, is payable in easy instalments. The scheme has been backed by an ad campaign whose USP is that the vehicle is Rs. 2,000 cheaper than other models. Accessories such as mirrors, leg and saree guards have been thrown in free.

"The response to the scheme has been good," claims Alfred Toelho of Sah and Sanghi, the distributors for Bajaj Kawasaki in Bombay who operate this scheme. Around 40 people in Bombay are understood to have taken the instalments bait ever since the scheme was introduced three months back. Not quite a spectacular response, but for understandable reasons. Apart from the down payment of Rs. 4,456, the customer also has to pay insurance and other charges which add up to almost Rs. 2,000. More important, he has to

BAJAJ'S KB 100 RTZ: NOT YET KING OF THE ROAD

KING OF THE ROAD
RTZ

come up with two guarantors — both earning at least Rs. 3,000 a month and working in organisations of repute.

The 100 cc battle:sales in 1988

	Jan	Feb	Mar
Bajaj Kawasaki KB 100 RTZ	55	457	2,001
Rajdoot Yamaha RX 100	3,082	3,756	4,912
Hero Honda CD 100	8,244	7,749	7,008
TVS Suzuki AX 100	6,018	6,168	5,014

Source: Association of Indian Automobile Manufacturers.

Conflicting figures. According to Toelho, the low number of applicants for the easy finance scheme doesn't mean that the model too is an also-ran. "Currently Sah & Sanghi channels 250 vehicles a month in Bombay, which is a definite improvement over earlier months," he says. But Sanjay Patel of Central Automobiles — dealers for the TVS-Suzuki brand of 100 cc bikes in Bombay, doesn't accept Toelho's figure at face value. His guess is that the Kawasaki model does not sell more than 150 vehicles a month. His logic is simple. All the Suzuki models together get only around 140 customers a month in Bombay. And, Kawasaki is still very much behind Suzuki.

According to AIAM figures, the TVS-Suzuki AX-100 model notched up sales of 5,014 vehicles as compared to 2,001 by Kawasaki (see table). But then, as emphasised earlier, the Kawasaki model is catching up. As the year progresses, variations from past trends — if any — will become clearer. For the moment, though, the uptrend in Kawasaki sales is unmistakable. Total 100 cc sales climbed up from 17,399 vehicles in January 1988 to 18,935 in March. As against that, the Kawasaki model's sales jumped up by 1,946 vehicles whereas figures for both Hero Honda and TVS-Suzuki showed an aggregate decline of over 1,000 vehicles each. This is apparently what is behind Bajaj Auto's high hopes in the 100 cc market, with Arun Pande's immediate objective being the capture of the top-spot in the two-stroke category of motorcycles. "If one takes the total 100 cc Japanese technology motorcycle market (both two and four-stroke vehicles put together), we would like to achieve a 35% market share in the near future," says Pande.

Significantly enough, Pande's stated goals seem to exclude a direct challenge to the four-stroke 100 cc Hero Honda — still the undisputed leader in the 100 cc segment. "We are the unchallenged leaders and will continue to be so," asserts Brij Mohan Lall, vice-chairman of Hero Honda Motors Ltd. Lall hopes to sell 100,000 Hero Hondas in 1988 — up from 62,980 in 1987. Despite supply bottlenecks, there is no reason to disbelieve Lall. Still, he cannot rest on his oars since there is a strong possibility of a real Bajaj challenge. If the company decides to launch its own four-stroke mobike, as is widely expected, things will hot up even for Hero Honda.

Tough going. For Bajaj, the stakes are high because it has been challenged in all two-wheeler segments. The Bajaj 150 cc scooter is facing increasing competition from the LML scooters — and is losing ground slightly. That much is evident from the fact that the premium on Bajaj scooters has plummeted from Rs. 5,000 till recently to almost Rs. 500 now. Besides, Kinetic Honda — the 100 cc scooter — has got over its initial teething troubles and is doing pretty well in the marketplace. All this means that the going will get tougher for Bajaj Auto.

It already has. 1988 has been a year of letdowns for the company. First, it had the mortification of having to relaunch a model after being thrashed by the competition. In 1986, the Bajaj Kawasaki KB 100 was launched with great fanfare and high hopes. The ad blitz was spectacular and it must have cost a neat packet.

It didn't work, not least because Bajaj was a late starter. Three other 100 cc models had already entrenched themselves and, not surprisingly, Kawasaki failed to break their stranglehold. To make matters worse, the ad campaign, which showed the Kawasaki bike in stunt roles, was a bit hackneyed.

> *If Bajaj's counter-thrust in the 100 cc segment succeeds, its leadership of the two-wheeler market will be impregnable*

Plans jeopardised. The company was also haunted by other problems. Its new plant near Aurangabad has not been working since late 1987, with a long-drawn labour dispute halting production. This has jeopardised the company's plans for 1988 and will probably put paid to its ambition of manufacturing one million vehicles a year by 1990. The drain on the coffers of the company — of idle and unproductive investment — will be substantial and may be reflected in this year's balance sheet.

The Scooters India Ltd. (SIL) fiasco has further damaged Bajaj Auto's strategic game plan to dominate the two-wheeler industry. For all practical purposes, the Bajaj takeover of SIL is off. With it, the company's dreams of creating a manufacturing presence in north India have been washed away. The failure must be even more disheartening since Escorts is almost on the verge of coming to an arrangement with Andhra Pradesh Scooters Ltd. for marketing the latter's vehicles. If the deal goes through, Escorts — a leader already in motorcycles — could conceivably threaten Bajaj's hold on the scooter market. So, instead of a planned attack on Escorts' motorcycle leadership, the company will have to concentrate on a rearguard action to protect its scooter market.

And that is where the Kawasaki relaunch assumes added significance. If Bajaj's counter-thrust in the 100 cc market succeeds its overall leadership of the two-wheeler market will be impregnable. Otherwise, it will merely be the first among equals.

■ *Sutanu Guru*

JAW-JAW OVER HALDIA PETROCHEMICALS

Haldia Petrochemicals Project

HPL SITE AT HALDIA: A WASTELAND

Like the proverbial shuttlecock, the Haldia Petrochemicals Ltd. (HPL) proposal — for a proposal it still remains even after a record 11-year period of embryogenesis (see box p.11) — continues its monotonous toing and froing between Calcutta and New Delhi. Last month, though, witnessed a slight deviation from the routine: principal players N.D. Tiwari and Jyoti Basu actually met in Calcutta on 21st May for a 70-minute pow-wow aimed at finding a solution. In attendance — on the sidelines — was HPL's optimistic co-promoter, R.P. Goenka (60).

In the event, the only agreement the two sides could reach was that officials should continue their "detailed talks" and "full-fledged discussions." The hitch lay with the financial institutions, explained Union finance and commerce minister Tiwari after parleys at Raj Bhavan, Calcutta. "They (the institutions) have raised certain vital issues relating to the viability, resources and share capital structure of the project. As such, it is not possible to give any timeframe for its implementation. The Centre is keen to implement the project at the earliest but it is for the institutions to be satisfied with all its aspects." Countered chief minister Jyoti Basu: "Until I get the project I won't be satisfied."

Tug-of-war. In more specific terms, the holding up of the financial institutions' green signal centres around the ongoing tug-of-war over the size of the naphtha cracker, which is the mother plant of the petrochemicals complex. Originally in 1977 the cracker had been approved for a capacity of only 54,000 tonnes per annum (tpa) of ethylene. Subsequently (1981), at the behest of several government agencies, including the Planning Commission and the department of chemicals and petrochemicals, the cracker capacity was fixed at 100,000 tpa. After R.P. Goenka entered the scene (1985), the capacity was upgraded further to 125,000 tpa. The Industrial Development Bank of India (IDBI) then pitched in with its own assessment after which the proposed capacity was pegged at 139,000 tpa.

Things became more complex in 1986 when the Union government laid down minimum economic capacities for various industries, including petrochemicals. The minimum economic size for a cracker was fixed at 250,000 tpa. The controversy over the size of the Haldia project hinges on this new stipulation on minimum economic size.

"Until I get the project I won't be satisfied"

— Bengal chief minister Jyoti Basu

A DISCUSSION ON HPL: JYOTI BASU AND N.D. TIWARI.

The issue as it currently stands was succinctly explained in a recent letter written to Tiwari by Jyoti Basu: "According to our proposal, the naphtha cracker unit will have a capacity of 139,000 tpa. It is informally understood that your ministry feels that this should be raised to 250,000 tpa in order to make it economically viable. I am not an expert, but I am told that the ministry of petrochemicals, which is the appropriate technical ministry, had no objection to 139,000 tpa as the minimum economic size for the cracker unit. I also understand that Engineers India Ltd. also felt this to be so. In such a situation, I find it difficult to see why your ministry should question the minimum economic size for the cracker unit as originally proposed. I would, therefore, strongly urge and fervently request you to kindly approve the project and remit it to the IDBI as it had originally been submitted." Needless to say, Tiwari has not done so yet.

Fresh project report. Meanwhile, the management of HPL has submitted a fresh project report to the IDBI. This report envisages an ethylene production capacity of 250,000 tpa. Clearly, the idea is to pre-empt yet another *nyet* from the institutions. There is a catch, though. The project cost has now gone up to the region of Rs. 2,000 crores as against Rs. 1,472 crores earlier. As Tiwari quipped at Calcutta: "Where will the resources come from?"

Reliable sources say that other routes to a solution to the ethylene capacity impasse are being simultaneously explored. One is that the primary raw material, ethylene, be imported and not cracked from naphtha, as envisaged in the project proposal. Another possible option — albeit seemingly far-fetched — is to tie-up with ethylene producers abroad, particularly in West Asia, for assured long-term supplies.

The continuing uncertainty about cracker capacity has brought in an added complication — the embarrassment of having to repeatedly extend the collaboration agreement hammered out with hardnosed overseas owners of technology. Apart from the naphtha cracker the HPL complex will have plants to produce butadiene (24,000 tpa), high density polyethylene (80,000 tpa), ethylene glycol (60,000 tpa), styrene (60,000 tpa) and polypropylene (60,000 tpa). The company has signed a plethora of different collaboration agreements with Chemtex Corporation, Phillips Petroleum Co., Scientific Design Co., Lumus Crest Inc. (all of USA), Linde AG (West Germany), Tecnimont (Switzerland), Nippon Zeon (Japan) and Institut Francais du Petrole (France), amongst others. These cover licences, and engineering packages.

The validities of all the licences and engineering agreements with these foreign firms have been extended from time to time, but it is a moot point as to whether their patience can be taken for granted. The matter of project clearance procrastinations apart, there have been government inspired flipflops about the final product-mix and its attendant technology tie-up needs too.

For instance, butadiene and polypropylene came into the product-mix later, as an afterthought at the Centre's urging, at the cost of dropping acrylonitrile (ACN). A reluctant Goenka has been meeting his collaborators off and on (he was touring abroad at the time of writing) to brief them about the whys and wherefores of these changes and delays. As has already been announced, Linde and Chemtex are slated to chip in with equity contributions of around Rs. 24 crores each, giving them an approximate 6% shareholding each. Goenka emphasises that "the best known and technologically most advanced companies with strong research and development facilities have been selected as the technical source in each field."

Cost inflation. But if the tough-as-nails overseas collaborators have shown a bovine patience even as HPL's project details are tortuously thrashed out, not everybody admires them for it. In institutional and governmental circles, for example, it is more than merely whispered that some foreign consultants are leading the promoters up the garden path, inflating costs at every stage. Even Calcutta's sympathetic-to-industry daily *Business Standard* (24th May) has taken editorial note: "The foreign collaborators' terms are rather onerous and no feasibility study prepared by the state government could seriously be depended upon. Before they agree to undertake financial arrangements for Haldia, (the institutions will) want to make sure that the project will not be sick almost from birth."

The point is that it is now too late in the day to revise project costs downwards or to again change the product-mix to make the prognosticated viability sounder. In any case, costs will only go up with further delay.

During the last session of Parliament, 44 members of the Lok Sabha from West Bengal, Assam, Bihar, Orissa and some north-eastern states — of which, significantly, 24 belonged to the Congress(I) — made a "joint appeal" to the prime minister seeking an early clearance for HPL. There are signs that the issue is quickly turning itself from an economic to a political one: meetings, processions and seminars are being held to focus on the Centre's "injustice" to West Bengal in not granting an industrial licence for this petrochem project. There is even talk of a Left Front-sponsored *bandh* being observed later this year on this count. Clearly, perceived injustice is causing tempers to hot up in Calcutta and its environs, leading Jyoti Basu to expostulate in the state assembly: "Is West Bengal outside India?"

Hope lingers on, nonetheless. This month, West Bengal's finance minister Ashim Das Gupta will lead a team of officials to New Delhi to conduct yet another round of "detailed talks." Around mid-June, after Tiwari and Basu return from their respective mid-summer foreign jaunts, the duo are expected to resume their summit-level dialogue on the basis of the freshly prepared groundwork. Sums up HPL's self-effacing but highly respected president A.J.A Tauro (59): "We have been always optimistic that the project will take off, and we still remain optimistic."

■ *Sujoy Gupta*

HPL'S PRE-NATAL PANGS

- November 1977: Letter of intent issued.
- May 1980: West Bengal government submits detailed project report to Centre.
- March 1981: Equity participation formula agreed upon between Union and West Bengal governments.
- August 1981: Application submitted for various licences and clearances.
- 1982-83: Engineers India Ltd. (EIL) examines proposal and draws up detailed project plan, including aspects like feedstock, financing, technology and product- mix.
- July 1984: Union government suddenly informs West Bengal government of its inability to participate in the project owing to resource constraints.
- 1984-85: West Bengal government explores possibility of going ahead on its own steam.
- May 1985: R.P. Goenka and Sanjiv Goenka sign up as co-promoters.
- September 1985: Haldia Petrochemicals Ltd. (HPL) incorporated.
- October 1985: Techno-economic feasibility report finalised.
- September 1986: Application for financial assistance submitted to IDBI as lead institution (project cost: Rs. 1,345 crores).
- December 1986: Union government approves basic engineering contracts.
- Mid-1987: Revised application submitted to IDBI (Project cost: Rs. 1,453 crores)
- September 1987: IDBI's expert committee headed by Dr. S. Ganguly clears project at Rs. 1,472 crores and refers it to Union finance ministry for approval.
- March 1988: R.P. Goenka's residence and offices raided.
- April 1988: HPL submits fresh project report to IDBI (project cost: Rs. 2,000 crores). Prime minister confirms that government is "having a relook" at HPL.
- September 1988: Extended letter of intent due to expire.

COFFEE, TEA, OR...

Introducing
Rasna
Kesar Elaichi
Makes milk irresistible.

RASNA: SUCCESSFUL REPOSITIONING

An outstanding success in the consumer products arena in the eighties is Rasna. The soft drink concentrate is Ahmedabad's second gift to the Indian consumer. Nirma, of course, being the first.

Rasna has changed its positioning thrice in the one decade of its existence. Its latest attempt is to elevate the brand from a children's fun-time drink to a fresher alternative to coffee or tea.

To tap all segments of the market, Rasna has been made available in a range of 11 flavours. While the orange flavour contributes nearly 80% of the total sales, the others chip in to retain errant consumers. It is a mark of professionalism that the recent repositioning has included the renaming of a few brands to appeal to consumer fancies. Thus brands such as Khus, Milk Masala and Rose, which had evoked marginal consumer response, have been relaunched with a Rs.2 price increase as Kool Khus, Kesar Pista and Shahi Gulab. The renamed flavours are being consumed faster than inventories can be replenished. The company, Pioma Industries, has also added an eleventh flavour — Grape Glory — amidst a severe supply constraint.

The Rs.40-crore soft drinks concentrate market, which is witnessing an unprecedented rate of growth, has been surprisingly merciless towards other brands. Both Trinka from Corn Products and Ju-C, marketed by Voltas, have met with a poor customer response in the past two seasons. Currently, they have a below subsistence level distribution. Tang, also marketed by Voltas and with the advantage of an internationally known brandname, could have offered consumers a more convenient alternative to Rasna had Voltas not outpriced it at test-launch stage.

However, with the cost of Rasna having escalated from Rs.4 to Rs.9.50 in the past four years, the brand is skating on the thin ice of price elasticity and it may not be long before consumer loyalties shift.

FOAMING FOR A SHARE

The recent catchphrase in the corporate world is "stick to the knitting." It is a suggestion which Wipro seems to have taken to heart.

After venturing into fields as diverse as computer software and edible oils, Wipro is again turning its attention to soap. The company has been introducing products with the single mindedness of an art. Unfortunately, the market shares it has accumulated are ant-sized. After Shikakai, Santoor and now Jasmine have been brushed away by consumers Wipro has brought out Ralak. An unfamiliar word, the product claims to contain the goodness of *tulsi*. The positioning and USP identified for the brand are enviable in Indian circumstances. The *tulsi* plant, which is credited with medicinal properties, is primarily venerated as a religious plant, indispensable in most ceremonies. The company, however, seems to be glossing over the potent USP by an unassuming product promise — the goodness of *tulsi*. Either the brandname is causing a problem to the creative team or there has been a change of strategy but Ralak has yet to receive mass media back-up.

BOOTING AROUND

P.D. Asher's luck is running thin indeed these days. It was smooth sailing as general sales manager of the prestigious Bata. The offer from Burroughs Wellcome to head their Nike project seemed no less prestigious while offering more in terms of adventure. It was cruel misfortune that the project did not take off due to Burroughs being unable to make the export commitments demanded by the government.

Left in the lurch, the company had no option but to fit a square peg in a round hole and Asher was shifted as boss of the consumer products division. To compound the earlier disaster the consumer products experiment failed in the second year. Asher, who surely must have been unhappy because he had no Nike shoes, also faced the agony of having the ground cut away from under his feet in consumer products too.

Out on a crutch, Asher is now with Bhor Industries heading their Lotto shoes project. The shoes are expected to be launched in the Bombay market in October 1988 after a quick placement in Delhi in July-August 1988. The company which has sent out feelers for stockists in the metro, has met with a feeble response.

A sure mark of success in India is the placement of look-alikes by the unorganised sector in the wholesale market. Thus domestic versions of Adidas and Nike are available with most pavement and street-corner vendors and the initial batch of the local Reebok has arrived.

That no local manufacturer has bothered to duplicate Lotto could spell disaster for the brand. For, despite the problem of competition from the unorganised sector, they do a fair task of creating brand awareness among middle income consumers without the aid of expensive media such as television.

However, with the growing awareness of sports and sportswear, and the opening up of boot-iques and shoe showrooms, Lotto could provide the hard-muscled competition to give Bata a run for its money.

■ *Kavita Gursahaney*

The author is a Bombay-based marketing executive.

Crompton Greaves

Crompton Greaves personalises the personal computer.

LEASE
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FAN FARE

For a tropical country like India, the fan is almost an essential fitting in every urban home. Not surprisingly, in recent years, the market for fans has been growing steadily at an average rate of about 10% perannum. The size of the market, estimated at Rs. 500 crores, is expected to cross the Rs. 1,000 crore mark in the next five years, and the volume of fan production, pegged at five million units per annum now, will soar to a cool nine million by then.

There are some five major fan manufacturers in the country and all of them have hopes of sweeping would-be customers off their feet with advertising campaigns based on many platforms: sophisticated manufacturing process, reliability, quality and brand image, style, celebrity endorsement, and almost as an afterthought, cooling power. This is a classic instance of a consumer product being marketed by appealing to every sense other than the logical one — beating the heat. It also signifies the intensity of competition and the availability of an extensive range of product choices, all the way from the "common" functional wind-churner to the ultra-modern living-room luxury.

With the increase in housing construction activity, the basic market for fans in the lower-middle and middle class households will continue to grow. Since the prices of air-conditioners are a bit too steep, the base market for fans that has been built up in the past 10 years will continue to widen. In the process, the consumer can expect fan manufacturers to blow hot with a variety of cooling campaigns directed at almost all his or her senses. Gone are the days when a lethargic lad could be hired to whisk a simple *punkah* suspended high on the roof. The modern electric fan — silent, efficient and ever ready to deliver great streams of air at the touch of a button — has taken centrestage. Or at least that is what the major fanmakers would have us believe.

Usha, the leader in the fan parade, with around 23% of the total market under its blades, has used style as the vehicle for carrying its product message. Its press and television campaigns focus on the rich colours and the good looks of top-of-the-range Usha fans: "Say Style! Say Usha!," urges the not-too-subtle caption, accompanied by the visual of a cool-looking fair model in white or, alternatively, in purple. The colours, apparently, match those of the fans, as the copy reveals ("Sleek pearly whites... Rich, ornamental browns and golds... Usha makes a breathtaking range for every taste and price preference. From the most premium to the most affordable"). The baseline, "India's largest selling fan," drives home the point about the market domination of this particular company, also known for its sewing machines.

The real test of consumer durables lies in the quality and care that goes into their making

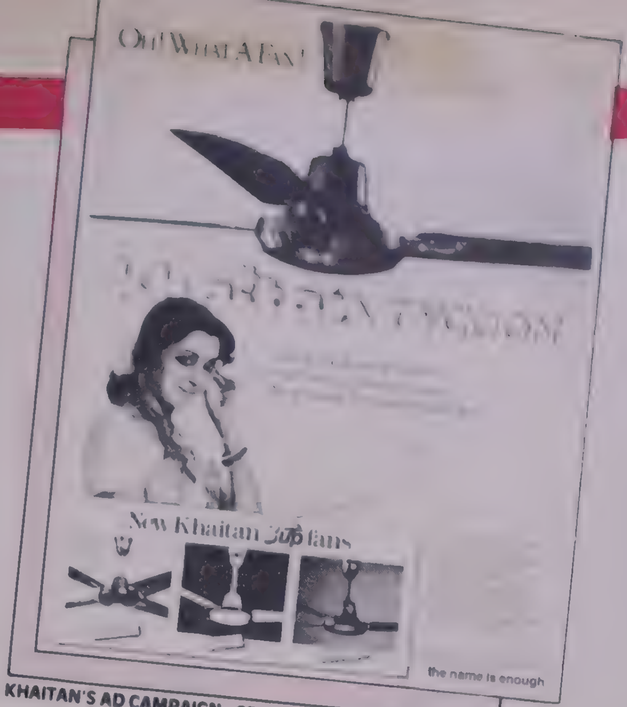
The Usha campaign highlights what is probably a significant index of consumer preference: the ceiling fan as a sophisticated work of art, an ornament to express the owner's taste and artistic sensibilities. Nowhere does the ad talk about the fan's essential function of cooling — after all, everybody knows that, so why not reposition the product in a new slot altogether? These luxury fans are also given evocative names that blend with the intended communication: Stella, Pulsar, Prima, Senator, Kohinoor. The use of high-fashion models accentuates the tilt towards the repackaging of the fan as a product of form rather than function.

Is the market ready for such an upgraded *avatar* of the plain fan? Marketing, the persuader that moulds consumer choice, may well prepare the ground for such a transformation. As if to validate this trend, Polar Fan Industries (the company markets fans under the brandname Polar) has an upmarket brand called 24 Carats which claims to possess a quality with which you can "give yourself an air (that) others talk about." A rather convoluted and laboured pun, but the fan is apparently positioned to cater to the high-income customer who may be the target audience for Usha's pearly-hued and golden creations.

Another contender for this luxury fan niche is Crompton Greaves, the well-known electrical products company and one of the major fan manufacturers in the country. Crompton's TV campaign uses humour to present the series of decorative fans as spellbinding objects that "you would want to keep looking up to": a bumbling guest keeps moving from fan to fan in a house while his jittery hostess follows him, trying to protect her antiques from destruction.

Situational comedy, or sitcom as it is popularly known, is the television vehicle for another well-known fan campaign, this time from Bajaj. The Bajaj fan dealer sings the praises of this particular brand to a glum customer (in Hindi) and, then switches on the fan. The visual gag shows the customer literally being "blown" into a horizontal position, after which he attests that "there is no equal for Bajaj fans." The Bajaj brandname is too well-known in electrical appliances to need any build-up other than this overtly comic plug. It also testifies to the broad sweep of the fan market, ranging from the very opulent living room of the rich to the cubbyhole of the ordinary wage-earner — the latter obviously being the target for the clownish Bajaj table-fan. Between these two extremes is the cost-conscious bulk of the market, comprising middle and upper middle class customers.

This is ideal ground for endorsements from celebrities. What better way can there be to make a middle class



KHAITAN'S AD CAMPAIGN : CELEBRITY ENDORSEMENTS

customer look kindly upon a product than to have it praised by a film star? After all, the film as a medium impacts the Indian viewer in a multiplicity of forms — directly in millions of theatres, and indirectly through film magazines, hoardings, video and, of course, gossip. Other products have been successfully promoted by film stars: toilet soaps, *pan masala*, textiles, television sets and so on. So has it been the lot of fans, too, particularly of one brand — Khaitan.

While the names of industrialists have adorned household products in India for many years (Godrej, Tata, Bajaj), Khaitan (the product, not the industrialist) is perhaps the first to attempt to enter the average household purely by virtue of tireless and consistent endorsements by celebrities. Hema Malini, the well-known actress, for example, proclaims that "This is the kind of beauty you see only in your dreams. No wonder I am a Khaitan fan" — apparently referring to the model called Tycoon, one in a range of ceiling fans. Although the pun is atrocious, the apparent admiration of this very popular actress may yet see the Khaitan product moving from dealers to customers. The customer in the marketplace is no rational being. It is this great (possible) dictum of advertising that helps the simple vendor weave an aura of "something special, something new" around the humble fan. It is literally true of the Khaitan (and other similar) product campaigns.

Celebrity endorsements can push products thus far, but no further. The real test of consumer durables lies in the quality and care that goes into their making. It is this realisation that has probably prompted Polar Fan Industries to come up with a prominent press campaign that stresses the manufacturing care, the reach of the service network and the attention paid to quality control in producing the Polar range of fans. Rated fifth in terms of market share, Polar's campaign attempts to build up the company's profile through time-tested marketing appeal.

"Osaka, Japan, is now 18 km off Delhi," runs the caption of one ad featuring a visual of the Polar fan manufacturing assembly line near the capital. The copy talks of "India's first vertically integrated conveyorised assembly lines ... as sophisticated as any in Japan." One unique product innovation from Polar mentioned here is the "telescopic oscillating table fan," which, at the "flick of a switch, rises to become a mini-pedestal fan." There is also a line about the group "that has never made promises, because our performance has been proof enough." The ad refers to Polar's 12.5 million users, its 3,000-strong dealer network and 24 service stations, and is rounded off with the baseline: "The SUPER group behind the SUPER fan." As baselines go, that is not very inspiring stuff, but then it probably falls into the same pattern as "You just can't beat a Bajaj" or Khaitan's compelling line — "The name is enough."

Polar has been something of a pioneer in the field of marketing fans. Its brash *Hungama* off-season discounts have kept sales ticking, even though the actual discounts offered are apparently small (Rs. 20 or 30). Customers are known to switch brands even for such small variations in price, and this has led to a price war among the big five fan vendors at the low end of the market.

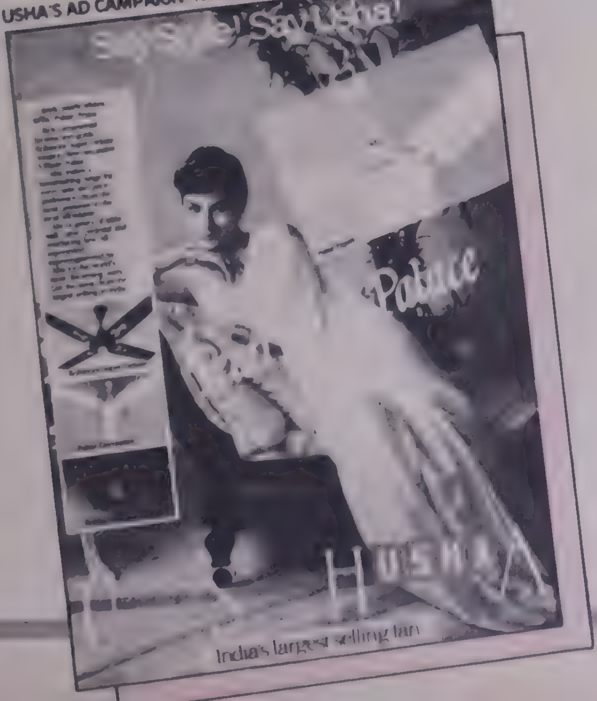
There is a wide product range now available to customers even from the same company — ceiling fans (which now feature on the menus of interior decorators as a means of enhancing the general aesthetics of living spaces), pedestal fans, table fans, and, in recent times, heavy-duty exhaust fans. The last category of products finds use in both domestic and industrial applications, mainly to control humid or fume-laden environments. Each of the major vendors, therefore, has a whole range of fans on offer (Polar boasts of 51 models), probably making the fan market one of the widest consumer bases available for an electric appliances manufacturer today. Increasingly, there is also consumer awareness of quality and improved technology.

Polar's campaign, captioned "51 fans: with their conscience clean," is reflective of the new consumer concern. The stress here is on the rigour of online testing methods used by the manufacturer. It may be said that the best possible index of a maturing market is the degree to which it begins paying attention to the quality of a product. By this yardstick, the fan industry may well be rated today as a full-grown adult. The humble *punkah* has come a long way

■ *Gita Manian*

The author is the managing partner of Excalibur Advertising, Bombay

USHA'S AD CAMPAIGN: RICH COLOURS AND GOOD LOOKS



ASSOCHAM's NEW FLAG-BEARER

L.M. Thapar would like to build bridges to the government.

He is the man who will probably orchestrate Assocham's rise to pre-eminence. Lalit Mohan Thapar, newly elected president of Assocham, now has more to do besides expanding his industrial empire.

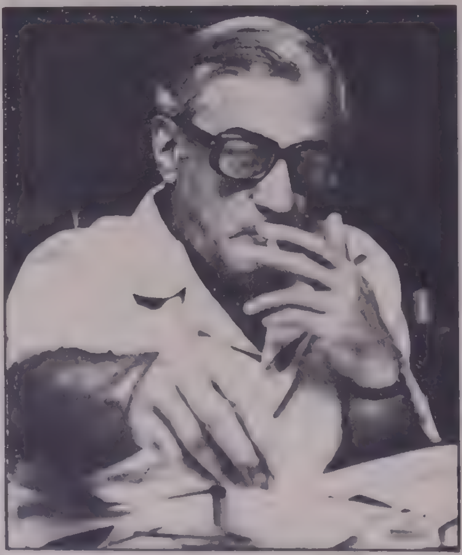
Right now Thapar's brief is the strengthening of Assocham. "My main task is to build bridges to the government," he says. For Thapar, building bridges means increasing the areas and level of cooperation and dialogue. "This is much more important than demanding concessions one after the other," he feels. According to him, Indian industry ought to consider the problems faced by the government — financial, foreign exchange and political. "A mere listing of demands does not solve any problem," he says.

Thapar's line of logic — cooperation and dialogue — reflects the new trend in representative business associations. A few weeks back, Brijmohan Lall of the Confederation of Engineering Industry (CEI) had announced that it was time to curb the habit of extending the begging bowl. "This approach leads both government and industry to put their brains together, instead of pitting them against each other. The consequences for the economy will be beneficial," feels Thapar.

But Thapar is not gushing with optimism. "Don't expect any miracles from me in one year. Changes of the kind initiated now do not fructify overnight. We can't become an exporting giant by just deciding that we want to be one. Nor can we do other things by mere wishing," says Thapar. But he does hope that by 1989 — when he relinquishes his presidentship — the process of change would have gathered momentum.

Victory in sight. The process of change also includes Assocham's emergence as the no.1 representative body of trade and industry. And, of course, Ficci's relegation to secondary status. Despite Assocham having a majority of industrial houses within its fold, Ficci continues to hold sway over the joint business councils (JBCs). It will be a coup for Thapar if more JBCs can be brought under Assocham's umbrella, but Thapar wouldn't like to comment on that — beyond giving the broad hint that victory is in sight. "N.D. Tiwari has already announced that the JBCs' character and composition will be changed," says Thapar. The forecasted changes imply that, in future, Assocham will also have a say in the powerful JBCs.

THAPAR: COOPERATION AND DIALOGUE NECESSARY



Some feel this is inevitable as Assocham represents the core of Indian industry. A few also cite Thapar's clout with the Union government, and the ubiquitous Doon School connection with Rajiv Gandhi.

Many are convinced that this connection and clout have both helped Thapar and his group of industries. The arrest and subsequent release of Thapar for Fera violations a few years back — and the controversy associated with it — is cited as proof of this. But Thapar disclaims any such clout with the powers-that-be. "What goldmine has my group struck which other big business houses have not? The Thapar group of industries has gained as much, and lost as much as other business houses because of government policy. Where is the question of singling us out for favours?"

But he does admit to having very good relations with the government — as also with the bureaucracy. "In India's economic framework, which company or industry would not like to cultivate a good rapport with the government ?" he asks.

Meanwhile, Thapar is also pushing ahead with his group's expansion plans. "Ballarpur, JCT, Crompton Greaves and Greaves Cotton will all expand substantially in the future," he says.

Articulate, yet not overtly optimistic, Thapar is the 'upmarket' industrialist. And he is likely to take Assocham places.

■ *Sutanu Guru*

A MEGABUCK FUTURE

Unitech is building on its strong foundations.

It started off as a small company whose business was to investigate the feasibility of soils for foundations. Today, the Delhi-based Unitech Ltd. has its fingers in many pies. Although its staple diet is civil construction work, Unitech, along with its seven subsidiaries, has diversified into exports, investment, metals and real estate.

"We soon found we could not expand any more in the soil testing business," says Unitech managing director R. Chandra (50), a structural engineering graduate from the UK. "So we went into the foundation business ourselves. From there we decided to go into construction."

The bottomline reflects the success of the strategy. In 1971, when Unitech was flagged off, its net worth was a paltry Rs. 50,000. Today it stands at Rs. 14.91 crores. Operational figures repeat the story. In the year ended 31st December 1987, Unitech's net profit spurted 63% to Rs. 2.96 crores from the previous year's figure of Rs. 1.75 crores. The turnover increased from Rs. 31.77 crores to Rs. 38.22 crores.

Greatest successes. The company has chalked up its greatest successes in construction engineering having implemented projects both locally and in other parts of the world. The juicy jobs locally have been the setting up of a thermal power station at Visakhapatnam, a Rs. 30-crore project for the Rashtriya Ispat Nigam Ltd., a copier plant for Modi Xerox and a caustic soda plant for Modi Alkalies & Chemicals Ltd. The last two contracts were valued at Rs. 4 crores each.

Overseas, Unitech's main customer has been the strife-torn Gaddaffi-ruled Libya. It has laid out a runway for an airport, constructed apartments and warehouses, and set up electrical transmission lines, all at Tripoli. "Having Libya as a major client does raise eyebrows, but then we are not too worried, as long as we have good relations," says Chandra matter-of-factly. However, when payment terms reached a deadlock sometime back, Unitech had to reduce its workload in Libya. But now, with the Libyan authorities agreeing to clear outstandings of about Rs. 11 crores in crude oil, the company has signed a protocol with the government for the construction of 270 houses for the army (value: Rs. 46 crores). Negotiations are also on to construct two reservoirs for hot water in the Sahara desert at an estimated Rs. 7 crores, and to set up high tension lines (value: Rs. 8 crores).

One unique characteristic of Unitech's overseas operations is that the company transports the entire labour force (both technical and unskilled) required for project implementation from India. It pays the labourers the minimum wages prevalent in the country in which they are sent to work. "This results in savings for both the workers and management," says Chandra. "The workers receive the minimum wages but in return we look after their housing and other necessities. The only thing we charge the workers for is the food. This enables the workers to take a lot more to India as we route the money back ourselves and the workers have no dealings with banks abroad."

APARTMENT BLOCK AT TRIPOLI. INSET: R. CHANDRA

Meaty orders. During 1987, the company has managed to pocket meaty local orders against competitors of the likes of L&T, Gannon Dunkerley and Gammon India. The choice ones are the Okhla sewerage treatment plant at Delhi (Rs. 8 crores) and the steel melting shop at the Visakhapatnam steel plant (Rs. 10 crores).

Among other areas where Unitech is slowly gaining strength is real estate, the funds for the venture coming from a public issue in 1986. It has picked up prime plots around New Delhi, Lucknow, Indore, Bombay and Bangalore for development. But the *piece de resistance* is yet to come. Two townships one each near New Delhi and Lucknow, will be set up by Unitech's management. Both are styled as South City and they cover 336 acres and 230 acres respectively. The New Delhi development will alone house over 30,000 people. And this means more megabucks in the future.

■ *Anil Wanvari*

A CONFIDENT AGENT

There's pots of money in the agency business and Metters' Mascarenhas proves.it.

In the wake of the controversy over the purchase of the Bofors guns and the HDW submarines, Indian agents of foreign manufacturers (of armaments or otherwise) suddenly find themselves the focus of attention: attention of a kind they would rather do without.

Things have come to such a pass that as soon as one introduces oneself as an agent, one is immediately looked upon with suspicion and mistrust. But not all agents are crooks. Indeed, many of them are in the perfectly legitimate business of supplying goods and services not readily available within the country.

Take the case of Mohan Mascarenhas (49), a small-time but highly successful agent. A mechanical engineering graduate of Madras University, Mascarenhas set himself up as an agent for Indian and foreign engineering firms after many years of working as a development engineer and senior marketing and sales executive. He has worked with Greaves Cotton, David Brown Greaves, Burmah Shell, Braithwaite & Co., and Vicon Ltd

In his last job, at Vicon, a Bangalore-based firm manufacturing

MASCARENHAS: "I'M A SIMPLE SALESMAN"

farm machinery in collaboration with Vicon N.V. of Netherlands, Mascarenhas was virtually number two, though designated marketing and commercial manager. But when offered the chief executive's position, he declined; for that would have meant committing himself to the company for several years. What he had in mind was to venture out on his own — one reason why he had moved south after quitting as head of sales of Braithwaite's mechanical division in Calcutta.

Agency launched. So, in 1977, Mascarenhas resigned from Vicon and set up Metters International, an agency firm, with his wife as partner. "I did not get into manufacturing since that would have meant direct interaction with workers, something I was simply not cut out for," he says. In the first three years, Metters International — which initially operated out of Mascarenhas' sprawling house in Bangalore — did very well by exporting at huge margins, forgings, castings and farm machinery parts, made by small and medium firms to Sri Lanka and countries in East Africa.

The big break came in 1978 when the Kudremukh Iron Ore Co. Ltd. placed orders worth Rs. 3 crores for imported mining equipment parts on Elecon Engineering, of which Metters International was a sub-agent. "Elecon Engineering's agent in Madras failed to pay us our commission on this deal but the Kudremukh orders boosted our image," says Mascarenhas. In 1982, Mascarenhas launched Nova Systems, again a partnership concern, specialising in the sales of lighter material-handling equipment such as cranes, hoists and chain-pulley blocks. The operations of Nova Systems are complementary to Metters International: Mascarenhas readily concedes that it was established to side-step the need to comply with statutory requirements which he would have had to meet when Metters International's staff strength went beyond nine.

Two years later, in 1984, Mascarenhas floated another company — a private limited one this time — called Metters Pvt. Ltd., and transferred some agency lines handled by Metters International to it. For a while, Metters Pvt. Ltd. was involved in hotel consultancy, and this activity was supervised by Mascarenhas' wife Priya, a former marketing director at Spencer's International Hotels. But Metters has since withdrawn from this line to concentrate more on its main business.

Mascarenhas' three firms together employ 20 personnel, of whom 10 are salesmen. He is reluctant to disclose the firms' profits, but admits that the commission on sales ranges from 0.25% to 4%. His lament is that commissions are coming down. "In this business, once a principal's products are well established with the customer and his volume of sales goes up, the first thing he does is to cut the agent's commission. We, in Metters, are thinking of shedding some of our principals and customers and retracting from regions where business generation has been poor."

Total business. Mascarenhas claims that the total business transacted by his firms would amount to Rs. 10.65 crores at the end of June this year, the bulk of it logged by Metters International. The customer profile of Mascarenhas' firms covers industries such as iron ore mining, cryogenics, automobiles, power plants, machine tools, aerospace and electrical motors and spares.

Among the overseas firms he represents are Armco Moly-Cop, based in Italy and part of Armco Inc., USA; Ontario Truck Parts Ltd., Canada; Geka Industrietechnik GmbH, West Germany; Plastic Techniques Inc., USA; Italtractor Meccanica ITM, Italy; and Okura & Co. Ltd., Japan. These apart, Metters act as agents for Tega India Ltd., Calcutta, Doritend Precision Castings, a division of Universal Ferro Alloys Ltd., Bombay, and Daaps Cryogenics Pvt. Ltd., Delhi.

A significant proportion of Metters' income comes from commission on sales to milk cooperatives, veterinary hospitals and dispensaries and frozen semen banks.

On the role of an agent, Mascarenhas says "an agency is but a marketing outfit involved in the transfer of technology of new products that are available on a cost-effective basis to replace existing methods." Most agents, he says, are solely interested in making money. "While Metters is not into it for charity, we do make an effort, before taking on a principal, to see his plant, organisation, engineering back-up, reference lists and the all-important quality-control department."

Mascarenhas' visiting cards — he has three — variously describe him as managing director, managing partner, and general manager but he calls himself a "simple salesman." That he's a good one can be seen from the track record of his firms, particularly Metters International.

■ *N. Raghavan.*

CEI's NEW INITIATIVE

Productivity & quality consciousness are the in things.

With the engineering industry in the environs of West Bengal not exactly in the pink of health, the employers — represented by the Confederation of Engineering Industry (CEI), eastern region — have taken the initiative to create a "healthy working atmosphere." Under the baton of its recently inducted regional chairman S.B. Budhiraja (57), also managing director of Indian Oxygen Ltd., the CEI is laying out imaginative programmes aimed at raising standards of productivity and quality consciousness — both urgent needs in the contemporary eastern sector.

For the first time, the CEI has constituted a business strategy group which has been entrusted with the responsibility of advising medium and small-scale companies in strategic planning and in possible diversification. "The engineering sector in the eastern region — and in West Bengal in particular — needs to diversify quickly if it has to recover its viability and perk up capacity utilisation. This newly formed group will help identify areas for further diversification. It will also recommend appropriate changes in government's present industrial policy needed to facilitate such diversification," says Budhiraja.

According to him, quality and productivity ought to be built on the foundation of human resource development. "The fact is that people matter most. As such, particular attention is being given to interaction between the CEI and trade unions," he adds.

Skill Olympics. Another unique idea which aims at institutionalising systems for rewarding skilled workers is being taken up by CEI. Budhiraja explains that for the first time, Skill Olympics for workers will be held next year. The idea has been taken from the International Youth Skill Olympics held every two years among the developed countries. The international Olympics cover over 30 events in areas as varied as carpentry, consumer and industrial electronics, commercial and industrial wiring, and ladies and gents hair dressing — providing a forum in which workers in various vocations can match their skills with their counterparts in other countries.

> *We are here to act as a catalyst so that the eastern region can regain both its competitiveness and its reputation for being forward-looking and progressive*
>
> ***— S.B. Budhiraja***

The Indian show will initially start with a few events drawn from the engineering industry like electric welding, gas cutting, engineering drawing, industrial wiring, turning, milling and grinding. "The contest will be held in early 1989 at major industrial centres in the eastern region. If it is successful, it will be expanded to cover other regions," says Budhiraja.

Plan dropped. Meanwhile, CEI's earlier plan of having a special circuit telephone exchange for the exclusive use of business houses has been dropped owing to a lack of response. Instead, a revamped (and less expensive) scheme for the general improvement of Calcutta Telephones is currently being drawn up. Preliminary studies indicate that replacing old cables with new ones alone will cost around Rs. 150-200 crores. Hopefully, Calcutta Telephones will be allowed to raise funds from bonds to meet this additional investment cost, provided the government approves the scheme. Should this scheme get the all-important green signal from the telecom authorities, CEI officials predict that its implementation could be completed by end-1989.

Yet another area where CEI is trying to educate its constituents is on energy savings. Budhiraja points out that industry could conceivably reduce its energy costs by up to 15% annually given an "organised" approach. An innovative idea being mooted by CEI is to introduce daylight savings time adjustments in India as in the UK.

"We are here to act as a catalyst so that the eastern region can regain both its competitiveness and its reputation for being forward-looking and progressive," concludes Budhiraja. Now, with the management side having put its best foot forward, the onus is clearly on the trade unions to respond.

■ *Ashoke Laha*

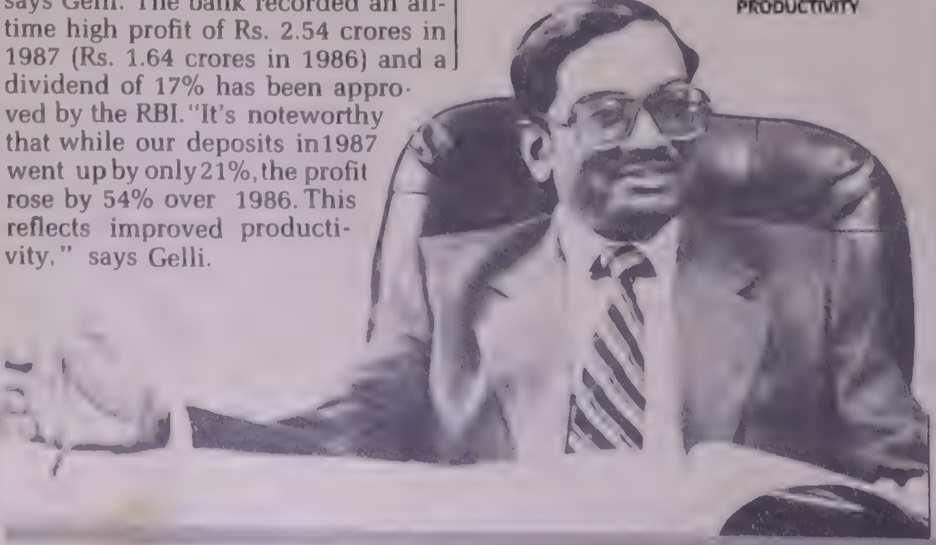
BANKING ON EXPANSION

The private sector Vysya Bank is diversifying into new areas.

Vysya Bank Ltd., a leading private sector bank, is thinking big. Shortly, it will be moving into the fields of merchant and consumer banking. It is also planning to enter housing finance and establish a mutual fund in the expectation that the tax concessions announced in the Union budget for public sector mutual funds will be extended to the private sector as well.

Going by the recently released performance statistics for 1987, the bank has reason to plan ambitiously. It has done remarkably well in terms of deposit growth, profits and lending to the priority sector. The bank's deposits rose by 21.1% in 1987 to Rs. 615.49 crores and its significance, says chairman Ramesh Gelli, can readily be gauged from the fact that aggregate deposits of all scheduled commercial banks grew by only 14.5% in the same year. 1987 has been a bad period for the Indian banking industry, partly because the economy itself was mauled by drought.

As for advances, Vysya Bank had notched up Rs. 308.10 crores in 1987 compared to Rs. 266.21 crores in 1986. "Credit expansion had to be restricted because of RBI directions to commercial banks stipulating a higher level of SLR (statutory liquidity ratio) and CRR (cash reserve ratio) requirements. Nevertheless, over 40% of our advances continued to be deployed in the core sectors of the economy, that is, the priority sectors," says Gelli. The bank recorded an all-time high profit of Rs. 2.54 crores in 1987 (Rs. 1.64 crores in 1986) and a dividend of 17% has been approved by the RBI. "It's noteworthy that while our deposits in 1987 went up by only 21%, the profit rose by 54% over 1986. This reflects improved productivity," says Gelli.



GELLI: IMPROVED PRODUCTIVITY

Non-fund business. He opines that smaller banks should concentrate more on non-fund business — deferred payment guarantees, letters of credit and such other services — since competition from other monetary instruments like national savings certificates, public sector bonds, unit schemes of the UTI, mutual funds, Indira Vikas Patras, new schemes from the LIC, etc., were on the rise; and more and more people have started investing in non-financial assets such as consumer durables, real estate and housing. "Growth in bank deposits will not be as much as seen in earlier years and in particular, smaller banks will have to be more innovative and move into non-traditional (banking) areas for sheer survival. Indeed this is already happening, with banks entering housing finance and leasing. I understand that the RBI is considering whether banks could offer factoring services also," says Gelli.

Coming back to Vysya Bank's performance, the RBI has permitted it to take up trading in foreign exchange. At the end of 1987, the foreign exchange business of the bank stood at Rs. 154.60 crores as against Rs. 140.36 crores in 1986. In leasing, its subsidiary, Vysya Bank Leasing Co., which actually became operational in October last year, has earned a profit of Rs. 2.05 lakhs and has declared a maiden dividend of 10%. The gross assets of the company at the end of December 1987 stood at Rs. 134.52 lakhs. "Leasing rentals had come down in the recent past but of late they have started hardening again. We foresee an encouraging future for the leasing subsidiary since leasing is catching on in business and industry sectors," says Gelli.

As for credit cards, Vysya Bank plans to increase the membership from the current 2,500 to 10,000 by the end of the year. The bank has an agreement with the Central Bank of India for promoting the 'Centralcard,' and the Union Bank of India has also joined in recently (curiously the bank's officials in Bangalore seem to know nothing of this arrangement). According to Gelli, two more banks, Syndicate Bank and Dena Bank, will shortly start promoting the 'Centralcard' as well. The success of a credit card, says Gelli, depends on the ability of the issuing bank to service both the establishments and the cardholders. "This is certainly not easy and I personally think that in due course the number of credit cards will come down to three or four, with some banks either withdrawing the cards or, more likely, merging their cards with those of the others."

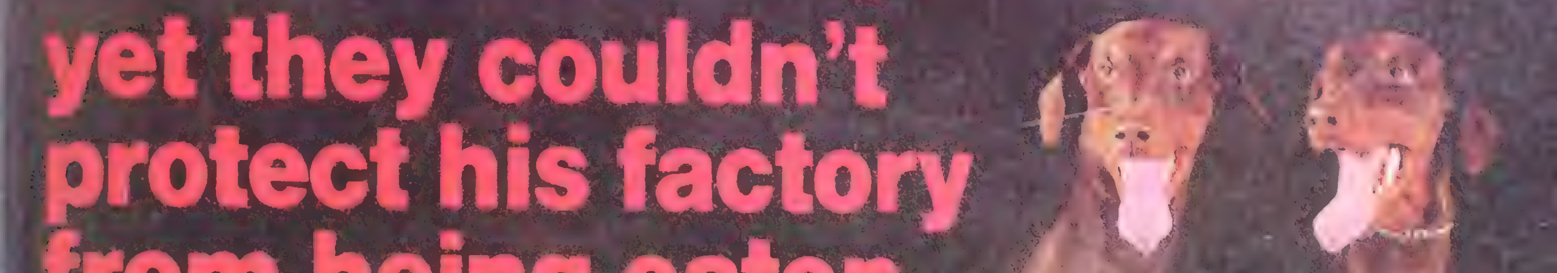
Two developments. Vysya Bank plans to increase its deposits to Rs. 730 crores and advances to Rs. 375 crores by the end of the current year. According to Gelli, two significant developments this year would be the bank's entry into merchant banking, albeit on a modest scale, and consumer banking, where the objective would be to lure the middle class fixed-income groups with loans for the purchase of consumer durables — the loans, significantly, will depend upon the receiver having an account with the bank.

In sum, Vysya Bank's performance in 1987 once again establishes that it's still very much the lead bank among private sector banks in the country. Quite creditable, considering that private banks are more sinned against than sinning.

■ *A special correspondent*

Mr Kapoor had 8 Dobermann Pinschers, 10 armed guards and a 22 foot high wall...

yet they couldn't protect his factory from being eaten away.



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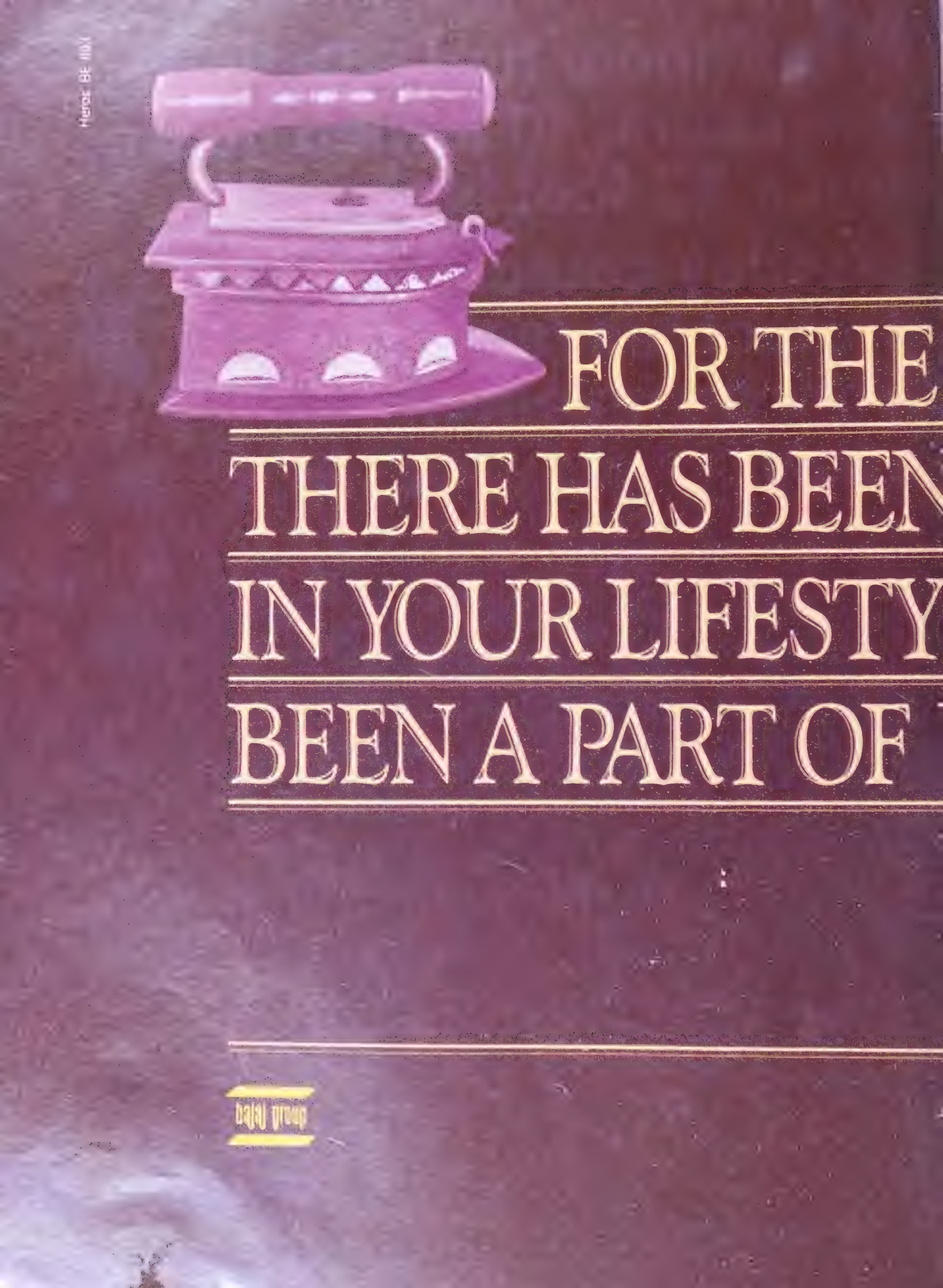
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ARMS SPENDING & TRADE IMBALANCES

Economic growth is the first casualty of the arms race. Every year, the world spends $1,000 billion on stockpiling arms, a sum that could otherwise have gone into economic development. The biggest contenders in the race — the US and the USSR — have jacked up their defence spending to unsustainable levels. Not surprisingly, the US public debt now hovers around $2 trillion, while in the Soviet Union, the growth rate has slowed down dramatically in this decade.

Even as expenditures on arms spiral, the pressures and problems confronting the world economy continue to mount. Trade imbalances, for instance, have long threatened to destabilise global economic relations. Until 1980-81, the developing nations received $30 billion as ODA (official development assistance). In the last couple of years, though, there has been a net reverse outflow of about $30 billion to the developed world, leading to a sharp decline in the growth rates of most African and Latin American economies. There have, of course, been exceptions to this trend, such as China, South Korea, Taiwan, Singapore, Hong Kong and Thailand. In the Asean countries, however, growth has slowed down — particularly in the Philippines, Indonesia and Malaysia. In South Asia, too, the rate of growth has remained modest.

While the United States has been running trade deficits of $160 billion a year, some other economies have swung in the opposite direction. For instance, Japan has notched up a trade surplus of around $90 billion, West Germany $35 billion and Taiwan around $19 billion. Korea has a trade surplus of $10 billion, which is helping it offset its external debt of $40 billion.

VICIOUS CIRCLE

These substantial surpluses on the current account are likely to prevail over the medium term. If the threat of recession is to be averted, and economic stability ensured, these surpluses should be directed towards meeting the needs of the developing countries. In today's inter-dependent world economy, the industrial countries have been caught in a vicious circle. The nexus between the resource requirements of the developing world, and the availability of enhanced capacity in the developed countries, has never been as striking as it is at present.

An area that needs urgent attention is the imbalance in net financial transfers from the developing countries to the industrial nations. The current figure of $30 billion a year is likely to rise in the nineties to around $40 billion. To counter this trend, the developing countries must receive financial transfers of at least $70 billion a year. A well-coordinated international economic policy should provide for the generation of current account surpluses in the industrial countries, to facilitate these resource transfers to the third world.

Japan has already taken a step in this direction. It doubled its ODA from $5 billion to around $10 billion this year. Even so, Japan's ODA stand at 0.29% of its GDP, though this is likely to be doubled soon. In addition, the Japanese Exim Bank could extend credits of around $5-8 billion a year.

Correcting these imbalances would also help the industrial nations. Gradually, they have begun to realise that unless there is a revival of demand for capital goods and technology in the developing countries, unemployment in the developed nations won't come down. Over 31 million persons are unemployed in the OECD countries at present.

On the debt front, too, light seems to have appeared at the end of the tunnel. The recent auctions of the Mexican debt have paved the way for scaling down the enormous debt burden of the third world, which totals $1.19 trillion.

The ecological challenges facing the global economy — particularly, the developing countries — are also a cause for concern. As recent remote sensing and satellite observations have shown, the Himalayan ecological system is facing dangers which will affect the Indo-Gangetic plains. Even in Pakistan, the Indus river basin is seriously threatened by ecological imbalances. Deserts are spreading, and water-logging and soil erosion are on the rise.

If even a part of arms spending is used for development, economic disaster can be averted

Given the magnitude of these problems, the wastefulness of military expenditures needs little comment. If even a part of the resources being frittered away on arms could be diverted to development, it may well be possible to save the economic system from impending disaster. The outer limits of mounting arms expenditure have already been reached. Now, the only direction in which military spending can move is downwards. At long last, there is hope on the horizon.

■ *P.N. Agarwala*

The author is a Delhi-based economic consultant

BEST & CROMPTON

ANOTHER TAKEOVER TARGET?

The Madras-based engineering and contracting company, Best & Crompton Engineering Ltd. (sales: Rs. 123.56 crores for the year ended 31st December 1986) is facing an uncertain future. Grapevine has it that it may be a takeover target: prominent among the raiders are the Hinduja brothers. The movement in its share prices also indicates what stockmarket observers call "quiet, interested buying."

BEST & CROMPTON'S AMBATTUR PLANT

Despite such interested buying, it is quite apparent that no takeover is possible without the blessings of the financial institutions. The reason is simple: four financial institutions and a few nationalised banks account for 57.86% of the total equity capital of Rs. 4.85 crores (see chart on shareholding pattern). Some 6,000 small shareholders hold 33.19%, the average shareholding being Rs. 2,680.48. Quite clearly, garnering a substantial stake through the open market is highly unlikely. This leaves only the institutions as the parties who can sell a sizeable, even majority, stake. If they want to.

And that is the question on which the whole issue hinges — do they? If so, why? The past performance of Best & Crompton may be illuminating. In 1979-80, it embarked on rapid lateral expansion; a number of joint venture companies such as Beacon Kone, Beacon Weir and Beacon Rotork were set up. The expansion in the seven years ended 31st December 1986 increased shareholders' funds from Rs. 5 crores to Rs. 26 crores, fixed assets from Rs. 2 crores to Rs. 18 crores and investments from Rs. 9 lakhs to Rs. 3 crores. Simultaneously, loans (secured and unsecured) rose from Rs. 7 crores to Rs. 46.88 crores.

Major jolt. When the company appeared to be steadily chugging along — profit after tax (PAT) increased from Rs. 1.13 crores in 1979 to a peak of Rs. 3.79 crores in 1984, while sales increased from Rs. 36.02 crores to Rs. 121.62 crores in the same period — it received a major jolt. The international price of oil tumbled from 1985 onwards and this had an immediate impact on its overseas contracts in Malaysia and Saudi Arabia. Not only were the schedules upset — and, since both were fixed price contracts, the consequent cost escalations had to be absorbed — but payments were also delayed. This affected the bottomline as well — in 1985, PAT dropped by 42.6% to Rs. 2.18 crores, while sales were more or less maintained.

The next year was even worse. PAT dropped to Rs. 90.8 lakhs, and this was more the result of some deft accounting than a reflection of operational performance. For the 15-month period ended 31st March 1988, the results have not yet been published. However, a senior official disclosed that sales for the period were higher by some Rs. 40 crores compared to the turnover of Rs. 120.50 crores registered in the 12 month period ended 31st December 1986. Gross profit is reported to be "much better." Interest has, however, taken its toll and depreciation too is substantially more. Thus profit before tax is marginally lower.

The official is, however, silent on PAT. There are speculations that this year would see Best & Crompton slide into the red and a publication had, in fact, reported a loss of Rs. 8 crores, a figure stoutly denied by Best & Crompton officials. Nevertheless, a betting man would place his money on even more deft accounting.

The mounting interest burden — it was Rs. 5.56 crores in 1986 — and the declining profit position may have got the institutions worried, but it is not as if they did not get prior information of Best & Crompton's worsening financial position. They have their nominees on the board. Even the chairman, in his annual review, indicated that as a result of the substantial involvement in overseas contracting the company was facing certain difficulties. The consequent pressures on working capital — which continues to be Best & Crompton's main problem today, that too on virtually a day-to-day basis — was therefore, not surprising.

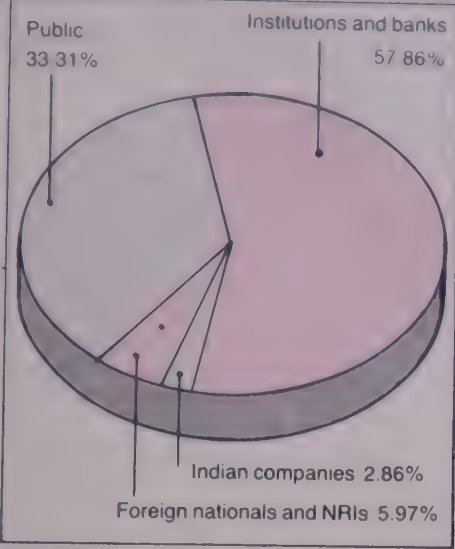
Identity crisis. According to observers, the financial institutions have an identity crisis: they do not appear to be very clear on whether their primary role is that of a shareholder, or of a lender. "While a shareholder takes the front-end risk and assesses a company's future by looking at its people and its order book position, a lender primarily sees if it can get its money back. In this case, the financial institutions owe themselves. The presence of a controlling business group would mean that the financial institutions can pin the responsibility for repayment on somebody else," is the assessment of observers. And, needless to say, the finger can be pointed elsewhere when performance too is not as desired.

Another reason being touted is that Best & Crompton is in dire need of cash, and the entry of a business group would help. However, it is reliably learnt that while the company has a severe working capital crunch, it has no problem otherwise. The working capital situation is the first thing which needs to be tackled for Best & Crompton to return to solid ground. The company has asked the shareholding financial institutions for bridge loan assistance of Rs. 5 crores for two years and has been sanctioned Rs. 4.50 crores. However, with a good chunk of Best & Crompton's business being in the governmental sector — all its electrical contracting jobs are — this will continue to be a major area of worry for its top management.

According to a senior official, the practice of governmental customers retaining 10% of the value of contracts as retention money has an adverse impact. On a contracting business of about Rs. 100 crores, this amounts to Rs.10 crores. This does not come under the terms of the credit authorisation scheme nor is there any refinancing scheme for this large amount. He, however, expects the working capital situation to improve by end-1989. His optimism is based on the fact that the company has opened the current year (April 1988-March 1989) with its best ever orderbook position. "Sales for the 12-month period should be equal to the sales for the 15-month period ended 31st March 1988, while gross profits should double," he says. In addition, the company is taking steps to prune its employee strength and is also trying to centralise its manufacturing operations at Ambattur in Madras. It is reported that Best & Crompton is trying to sell off its foundry units at Madras and Bangalore, which have been proving a drag on the company's profitability.

"The company is again getting into an upswing. That's why it is unfortunate that somebody is trying to make a sitting duck out of it. It is now like a vehicle in perfect order but with no gas — in this case, working capital," says the official.

Shareholding pattern of
Best & Crompton
as at the end of 1986



Intriguing aspect. Another intriguing aspect of the current situation is that the takeover reports closely preceded the current chairman and chief executive M.K. Kumar's retirement on 30th June 1988. Kumar, till recently Assocham president, was brought in by the institutions in 1978, and in 1980 was made chairman-cum-managing director. In 1986, A. Venugopal was made managing director. On Kumar's retirement, the latter will take over as managing director and chief executive.

A major undecided issue is who will chair the board meetings after Kumar's retirement. This decision has to be taken by the institutions through their nominees. Here again, there is speculation that V. Krishnamurthy of Sail will be appointed chairman. This will lead to the piquant situation of an older man taking over from a younger retiree!

Right now, all that the current crop of speculation has done for Best & Crompton or its employees at various levels is to create a feeling of uncertainty. The financial institutions probably have the entire deck of cards; it remains to be seen if they'll deal themselves an ace or a joker.

■ *Chandu Nair*

AIR-INDIA

PATCH-UP EFFORTS

What was Rajan Jetley doing when Air-India was plunging into the red? Redesigning airhostess uniforms and replacing crockery — if some outspoken board members of the ailing airline are to be believed. Mercifully, nobody has yet said he was playing the fiddle.

The war between managing director Jetley and the airline's board members has been festering for months. In May, it gatecrashed into the front pages of the newspapers. Result: consternation and anger in official circles.

Air-India is losing out to Pan Am on US-bound flights, to British Airways on UK-bound flights and to Lufthansa on European routes

It was widely expected that the controversial actors in this drama would get the boot in the scheduled board meeting on 27th May. But the board meeting has passed without mishaps. High flying Rajan Jetley hasn't crashlanded. Nor have his baiters been shown the door. Everybody has issued bland statements, hinting at an amicable solution. Said Dharni P. Sinha, Jetley's chief critic on the board: "The meeting has helped us agree what direction the airline must take." Unfortunately, that's where agreement stops.

Meanwhile, it is evident what direction Air-India is taking: huge losses and a loser status in the battle for the skies. The 1987-88 budget for the corporation had projected a profit of Rs. 24 crores. By the time the accounts were finalised, a whopping loss of Rs. 44 crores was discovered. The current year is going to be at least as bad. So much so that the board has not finalised the budget yet. Perhaps it's scared of putting the writing on the wall in print: Air-India will lose

Music fills the morning air in a tranquil corner of Calcutta. Young Rashid Khan is beginning his *riyaz*—a daily ritual that takes him closer to the sublime. Guiding the prodigy from Badayun, Uttar Pradesh, along the *raga*, Ustad Nisar Husain Khan is filled with a sense of pride and security: at last there is hope for the flowering of talent. The sixty-year gulf between the two is bridged by the century-old *tanpura*—handed down to Ustad Nisar Husain Khan by his grandfather, the instrument that is now shaping the future of Rashid symbolises the continuity that is the *guru-sishya parampara*. Under the spell of Rashid's song, Ustad Nisar Husain Khan's memory goes back to that day, a decade ago, when ITC came to their help...

Rashid Khan of Badayun. Ustad Nisar Husain Khan feared that the genius of his protege's voice would be lost to the world.

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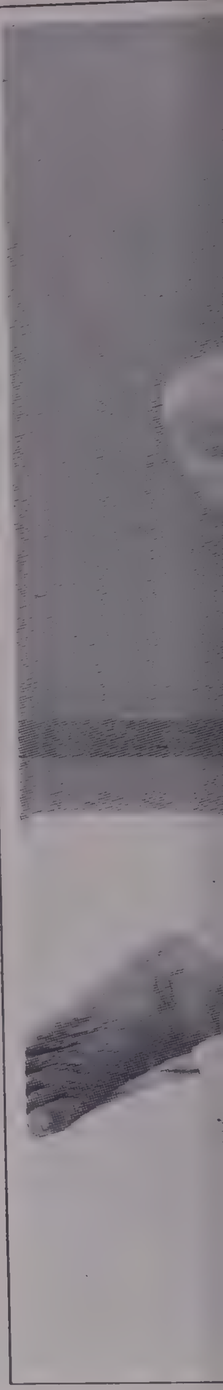

Acoustic laboratory: research on sound patterns

Realising that Indian classical music was being orphaned by the passing of patronage, ITC established the Sangeet Research Academy with the express purpose of reviving the *guru-sishya parampara*. Since 1978, resident master-musicians from different *gharanas* have been nurturing latent talent at SRA.

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JETLEY: LACKS FOCUS?

more money in 1988-89.

There is more writing on the wall: the lucrative Gulf route is drying up. The Singapore 'video traffic' route is a disaster. Air-India is losing out to Pan Am in US-bound flights, to British Airways on UK-bound flights, and to Lufthansa on European routes. What's wrong?

Hefty discounts. Almost everything, apparently. But the biggest problem appears to be Air-India's penchant for offering hefty discounts to passengers. Discounts offered are as high as 28%. Very few airlines dangle such carrots to lure passengers. There is no need to.

Understandably, Air-India is paying a heavy price. Eleven out of the carrier's 13 major routes are blotched with red. Operating revenue fell by Rs. 61 crores in 1987-88, primarily because of fare discounting.

The Air-India board doesn't like this at all. In an interview to *Business Standard* (16th May), Sinha, principal of the Hyderabad-based Administrative Staff College, said: "We pointed this out to the management as early as September 1987." Evidently, nothing has been done so far. Sinha feels that instead of attacking the core of the problem, Jetley is nibbling at the fringes. Incidentally, it is this interview which flagged off the airing of Air-India's dirty linen.

Sinha has a valid point. But then, Jetley has to fight a well-entrenched and complacent cadre which prefers the soft options. The regional directors of Europe and US aver that the airline will not get enough passengers if discounts are stopped. But Sinha feels that this strategy is proving to be counter productive. "What is the use of filling all seats and yet losing money? Have less than half fully-paid passengers, and you will be able to serve better," he says.

The controversy continues, since nothing much was done about the issue during the 27th May board meeting. Even other issues continue to hang fire. For instance, the board's grouse that Jetley is demoralising the staff through his policy of arbitrary transfers and promotions. Apparently, V.R. Kulkarni, director of finance, has been transferred peremptorily and his deputy has been elevated to the top slot. The engineering division has been bifurcated, apparently to accommodate V.S. Bhagat, director (ground services), at a higher level. Incidentally, corruption charges against Bhagat are yet to be cleared. This, according to the board, has initiated a series of protest resignations. H.K. Malik, commercial director, has quit and C.L. Sharma, deputy managing director, is following suit. Obviously, the board is upset and baying for Jetley's blood. "The chairman (Ratan Tata) has given a very long rope to Mr. Jetley," says Sinha. Ironically, even Tata and Jetley are reported to have serious differences. But then, neither has made any disagreement public.

Ad hoc decisions. According to the grapevine, Tata is very upset with the *ad hocism* prevalent in the airline. "Major decisions are taken without any planning, at the spur of the moment. Not surprisingly, such decisions compound troubles," says another Bombay-based board member.

> *Air-India, in my view, has not paid adequate attention to long-term planning*
>
> ***—R Tata***

Two recent instances are cited. In early 1988, the airline eliminated the technical halt at Dubai for its US-bound flights. The ostensible reason was to attract more passengers. But the flight timing was not restructured to suit passenger needs. As a result, Air-India continues to lose passengers to PanAm. "How on earth can Air-India attract high value passengers if the flights land in London in the afternoon?" asks the board member.

The Singapore case is stranger. In 1987, Malik, the commercial director, got a brainwave to cash in on the 'video traffic' boom between India and Singapore. The number of flights was jacked up to an incredible nine per week. This proved very costly for the airline. The Singapore route incurred a loss of Rs. 12 crores in 1987-88. Currently Air-India has only one scheduled flight per week.

Short-term actions. Tata has never commented on these fiascos. But, he obviously has different ideas. "I have been advocating a forward-looking long-term strategic plan for the corporation as I believe that such a plan is essential for the survival of the airline in the highly competitive international environment in which we are. Air-India, in my view, has not paid adequate attention to long-term planning and has sought short-term actions to maximise short-term profits," said Tata recently.

Ironically, even short-term profits have disappeared. Apart from the Rs. 44 crore loss in 1987-88, Air-India is estimated to lose Rs. 59 crores at the least in the current year. Jetley defends Air-India by saying that the losses are on account of the burden of amortisation of the six new Airbus 310s the airline bought in 1987.

But that doesn't wash even with the board. And sniping by members such as Sinha has perhaps driven Jetley to the wall. It is 14 months since he took charge and soon he will have to come up with solutions.

Meanwhile, the scheduled board meeting on 29th June will almost definitely witness fireworks. For, that is when the present board retires and a new one has to be constituted. Will the Jetley baiters succeed in short-circuiting his high flying career? Or, will they be shunted out for rabble-rousing? Both are million dollar questions.

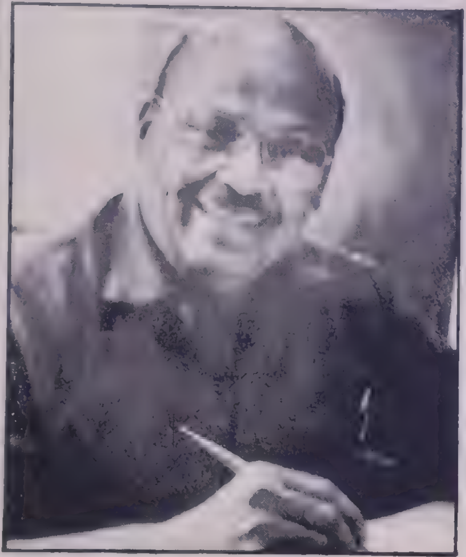
■ *Sutanu Guru*

TYRES

SLANGING MATCH

Tyres raise hackles. The latest developments have done nothing to diminish the truth of this statement: tyre imports have been placed under open general licence (OGL), import duties have been slashed, and the prices of nylon tyre cord, a vital input, have been jacked up again. Manufacturers, predictably, have let out howls of protest.

On the other side of the fence, truck users — fearing a fourth price increase in three years — have launched yet another frontal attack on manufacturers and petitioned the Bureau of Industrial Costs and Prices (BICP) to regulate tyre pricing *a la* drugs. The oft-repeated charge is being levelled again: tyre companies are getting ready to gang up and profiteer. The government also has thrown in its hat in the slanging match with a few rounds of shadow boxing.



VISHWANATHAN: ILL-ADVISED DECISION

The verbal duelling will, no doubt, continue but one thing appears reasonably certain: the days of super-profits for the industry are over. In 1987, 10 major tyre companies earned Rs. 75 crores of profits on the aggregate. But this year, the industry is all set to enter another phase of uncertainty and, perhaps, troubles. Tyre supplies have jumped and prices have already fallen by Rs. 150-200 per truck tyre in 1988.

Industry's ire. Predictably, the carping has begun. The industry's ire is directed against the placement of tyre imports under OGL and the slashing of import duties from 145% to 105%.

TYRE INDUSTRY: WHEELS WITHIN WHEELS

This has made imported truck and bus tyres at least Rs. 600 cheaper than domestically manufactured ones. If road transport undertakings and truck manufacturing companies — the major consumers of these tyres — do take the import route, the industry is sure to have sleepless nights. Says Sumantra Banerjee, vice-president (marketing) of Dunlop India Ltd., "Imports will cripple the industry." V.C. Vishwanathan, vice-president (marketing) of J.K. Industries Ltd., calls the decision to put tyres under OGL ill-timed and ill-advised. He feels that the industry, which has recovered only recently, will again be thrown out of sync. This view is echoed unanimously by spokesmen of all tyre companies.

The lead in this propaganda war has been taken by the Delhi-based Automotive Tyres Manufacturers Association (Atma). Ever since the OGL decision was announced, Atma has flooded the financial dailies with ads decrying imports. The campaign exudes *swadeshi* flavour and exhorts Indians to buy Indian, i.e. Indian tyres. These exhortations have been accompanied by a mass of figures seeking to portray the industry as one that has been more sinned against than sinning.

None of the arguments have cut any ice with powers-that-be: government officials. The reason: the tyre industry has cried wolf too often to have any credibility left.

To be sure, the tyre companies do have some cause for complaint. As V.K. Modi, president of Atma, says: "Taxes account for as much as 41% of a truck tyre's price." Not surprisingly, Indian tyres are notoriously the most expensive in the world. Given such high tax rates, how can Indian companies compete with imports?

Add to this perennial excise headache the current one of impending excess supplies and you have a real problem. Production is estimated to touch 5 million tyres in 1988. Given the current levels of demand, supplies are anticipated to be rolled out in excess to the tune of three lakh tyres. Not surprisingly, prices of truck tyres have indeed declined by Rs. 150-200 in recent weeks.

MODI: FEELING TAXED

All this doesn't convince Chittaranjan Das, secretary general of the All India Motor Transport Corporation. "Fine, they (companies) have all reduced prices. What is the guarantee that they will not raise prices in a few months? They have already started cribbing about rising input costs — a preview for a price hike," he says unsympathetically. He cites past instances to prove his contention — especially in the case of truck tyres. Since truck tyres account for a whopping 70% of the industry's turnover, and most of its profits, the significance of Das's contention becomes quite clear.

Artificial scarcities. The fact is, despite excess capacity, there was a severe shortage of popular varieties of truck tyres in 1987, with premiums becoming the order of the day. The tyre industry's spokesmen claimed that almost all companies were hit by labour trouble. Needless to say, tyre consumers don't buy this argument.

Right from 1971, tyre companies have been rigging prices

— MRTP official

According to S.P. Singh, convenor of the All India Tyre Dealers' Federation, the industry deliberately creates artificial scarcities to rake in profits. Last year, when the production of bus/truck tyres declined by 3%, prices shot up by Rs. 800 per tyre — a 10% jump.

That's not the only way the industry jacks up prices. Another favourite ruse is to claim escalation in input costs. No doubt, the cost of production has been increasing and will continue to do so. But, according to the BICP, the price increases in the past have been higher than what was warranted by increased costs. This explains why tyre consumers would prefer to have the BICP fixing norms and profit margins.

Most interesting, and controversial, is the allegation that the industry has been cartelised. Tyre company spokesmen vehemently deny this, but a very senior official of the MRTP Commission disclosed that there was *prima facie* evidence of a gang-up. "Right since 1971, tyre companies have been rigging prices," he says.

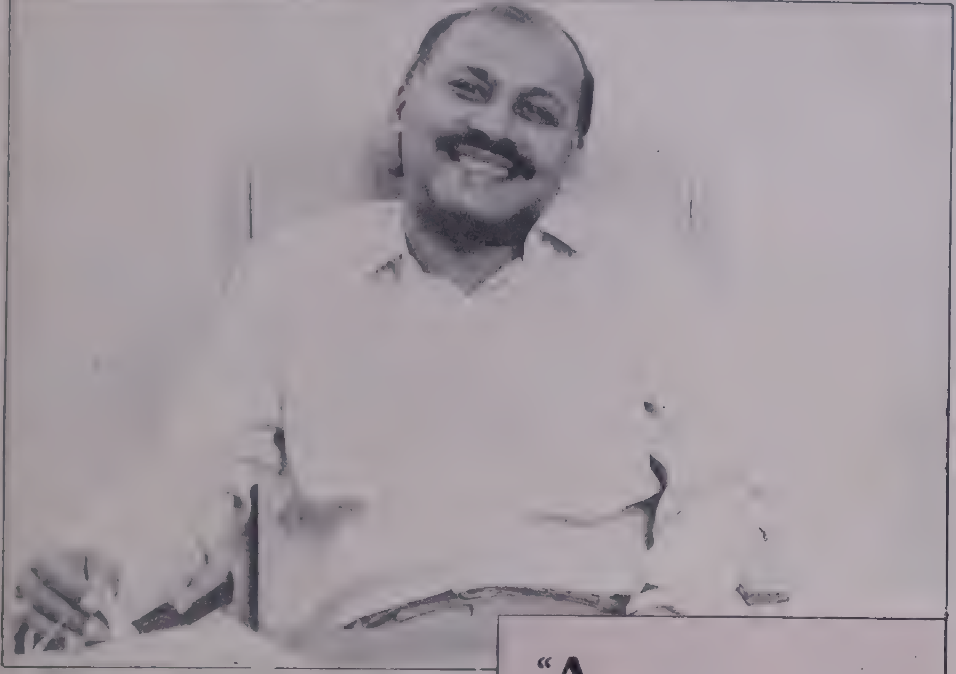
Rigging orders. Apparently, the *modus operandi* is simple. When state road transport undertakings, the major buyers, float tenders to purchase tyres, the four or five companies who respond quote almost identical prices. The lowest bidder automatically gets the order but often pleads inability to fulfil the entire order and asks the transport undertakings to offer the other companies a part of the order. When the next round of tenders is asked for by another transport undertaking, the highest quoted tender in the earlier one becomes the lowest quoted tender here. "A lovely game of musical chairs, except that the places are rigged all along," says the MRTP official. The MRTP Commission instituted enquiries four times against tyre companies in 1971, 1978, 1982 and 1985. A final order on the 1985 enquiry is awaited.

Clearly, the pressure on the tyre companies is growing. And the OGL damocles sword (it is still to be officially notified) looms threateningly over the industry's head. No consumer has yet taken advantage of the OGL facility. The tyre industry must be fervently hoping that no one does — even in the future.

■ *A special correspondent*

AHMEDABAD

NOT AN ADMAN'S MECCA



> "As long as the spirit of enterprise prevails, Gujarat will be good for the advertising business"
>
> *—A.G. Krishnamurthy*
> *CMD, Mudra*

Despite the strong flavour of business that Ahmedabad exudes, it lacks one crucial ingredient: a grow-grow advertising industry. If one were to exclude a Mudra here or a Trikaya there, one is hard put to find any of the majors of the advertising world setting up shop in the capital city of Gujarat, one of the most industrialised states in the country. The big agencies by and large prefer to service their Ahmedabad and Gujarat-based clients from Bombay itself.

What makes the city inhospitable territory for admen?

Basically, advertising culture. Or rather, the lack of it. What ad agencies are up against is the mindset where expenditure on advertising is either viewed as unnecessary extravagance, or, at best, as a necessary evil. So, even advertisers who see the need for it are unprepared to put up the kind of money needed to create good promotional material. To cut costs, the advertiser just hires an artist and provides him with an idea of his creative expectations to get the job done. The art work created is then entrusted to a local agent for release in the media. And with around 400 such agents crawling all over the state for cut-price business, it is little wonder that the big boys see few prospects of developing a decent client base in the state.

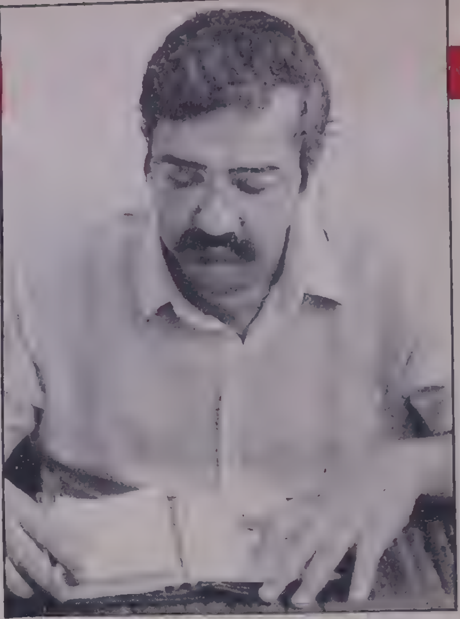
If that is surprising for a state that is associated with such advertising and marketing successes like Nirma, Rasna, Garden, Reliance's Vimal and Sintex, it is worthwhile recalling that advertising came to Ahmedabad in a biggish way only in 1980, when Mudra Communications Pvt. Ltd. was set up. Before Mudra, the only major ad agency operating in Ahmedabad was Shilpi Advertising Ltd., which came into being in 1972. Significantly, both Shilpi and Mudra were primarily conceived as in-house agencies — of the Sarabhais and the Ambanis respectively — even though today it would not be fair to call them that. Of Mudra's Rs. 28-crore billings in 1987, only about a seventh emanated from the Vimal ads. As for Shilpi, Sarabhai ads accounted for a meagre tenth of 1987's billings of Rs. 4.27 crores.

Hostile environs. However, it is probably because they started out as in-house agencies that Mudra and Shilpi survived in the hostile environs of Ahmedabad. The city has few of the prerequisites for nurturing a healthy ad industry. The quality of professionals — film-makers, photographers, etc. — is poor by Bombay standards, as are the facilities for printing and colour processing. Models are not easily available because the profession is still a no-go area for women from decent families. Rashida Contractor, art director of Shilpi at Ahmedabad also finds the place less conducive to creativity than Bombay. "The concept of communication through ads is dry here," she says. "The ads have to be direct, verbose and rudimentary so as to reach the audience," she adds. Not surprisingly, talent from Bombay is unwilling to come over. "Even graduates from the National Institute of Design (which is based in Ahmedabad) prefer to work elsewhere," laments Raj Gupta, Trikaya's director for client services.

The advent of TV and the commercialisation of Doordarshan's Ahmedabad Kendra too have not helped much. The main reason for this is the short radius (100 km) of the effective telecast, which excludes several mini-metros of the state. Many advertisers, therefore, find it most cost-effective to use the national network and the Ahmedabad Kendra finds it difficult to sell more than half the advertising time it has been allotted.

These drawbacks notwithstanding, some agencies have done well for themselves. Carving out niches and capitalising on its other strengths, Sobhagya Advertising is in Gujarat primarily for public issue ads. "We are here to cash in on our expertise in financial advertising. Gujarat has one of the largest investing populations in the country. So the potential is immense," says Anurag Halakundi of Sobhagya. The same logic holds good for Pressman Advertising.

Sources of strength. Navneet Lal & Co., which had Rs. 2 crores of billings in 1987, has prospered by concentrating purely on state government advertising — another unique niche. As for Mudra, the biggest of them all, its prime source of strength has been its professional approach to creative communication, client servicing and media planning. Says Alan D'Souza, deputy manager of Mudra: "We select clients with whom we can grow as part of their marketing team. Our involvement is from womb to tomb. Besides, we respond fast to change." Among Mudra's major Gujarat clients is Pioma Industries, manufacturers of the tremendously successful Rasna range of soft drink concentrates.



SUCHDE: "PERSONAL EQUATIONS COUNT MORE"

Sharad Suchde, who left Shilpi to set up his own agency styled Vibrant, feels that success in Ahmedabad's ad world has a lot to do with an ability "to imbibe the culture of the place" where personal equations count far more than sales pitch. Parag Shodhan of Projections, an agency with Rs. 40 lakhs of billings, agrees. "Agencies with roots outside Gujarat will find the going tough because the personal factor works better here," he says.

Not everybody agrees with this assessment. A.G. Krishnamurthy, chairman and managing director of Mudra, declares that "as long as the spirit of enterprise prevails, Gujarat will be good for advertising business. And growing up from Ahmedabad will never be difficult. In 1987, Rs. 14 crores of our total billings (Rs. 28 crores) came from Ahmedabad."

S.M. Singhvi, president of Sobhagya says that "the unparallelled equity cult in Gujarat" will always provide a sound base for financial ad agencies like his own.

Evidently, there are rays of hope filtering through Ahmedabad's otherwise bleak ad scenario.

■ *Seema Saxena*

IRDP

MONEY DOWN THE RURAL DRAIN

There is, it seems, no dearth of funds. Even in the days when Rajiv Gandhi was basking in his pro-rich image, there was a substantial allocation for rural development. Now that he has donned his socialist cap again, the purse-strings have been loosened even further for this sector.

Funds there are, schemes may be counted by the score, what then is lacking? Simple answer: infrastructural facilities. The Integrated Rural Development Programme (IRDP) is anything but integrated.

"I would contend that rural development is over-financed and under-administered," says economist M.L. Dantwala. "I do not mean that all the financial needs of rural development are fully met. What I mean is that the quantum of finance provided for rural development exceeds the administrative and organisational capability of the rural banking system and the development personnel of government agencies."

This point was underscored at a recent meeting of bank chairmen with the Union finance minister N.D. Tiwari. In their assessment report the chairmen felt that bank credit is unproductive because of the low level of backward and forward linkages and infrastructural facilities. Over Rs. 17,000 crores of credit has been pumped into rural areas but it has done little to alleviate poverty. It may have even proved counterproductive, by increasing rural indebtedness.

"Thus, if the increasing credit for agricultural purposes is to serve the ultimate objectives of raising agricultural production, productivity and income for alleviating poverty, it will have to be linked closely with the availability of other inputs and closely monitored. The present method of monitoring the quantum of loans and/or targets will have to be replaced by a new method of linking schemes to production and productivity," the bank chairmen concluded.

Several programmes. There have been several development programmes with an emphasis on the growth and development of the rural economy. These include the Community Development Programme, the National Extension Service, the Intensive Agriculture Development Programme, the High Yielding Variety Programme, the Intensive Agriculture Area Programme, the creation of the Small Farmers Development Agency, the Crash Scheme for Rural Employment (CSRE), the Pilot Intensive Rural Employment Project, the Food for Work Programme, the Minimum Needs Programme, the National Rural Employment Programme, the Rural Landless Employment Guarantee Programme and the Drought-Prone Areas Programme. They have all met with little success.

Even the IRDP, which the Sixth Plan terms "the first nation-wide programme for eradicating poverty, implemented in all the 5,011 blocks of the country," has failed to deliver the goods. Though the programme is of significant importance in the context of rural development, the IRDP has been ineffective in alleviating rural poverty due to administrative laxity, inadequate planning and monitoring and political interference.

According to a study conducted by the Administrative Staff College of India (ASCI), Hyderabad, "The very title — Integrated Rural Development

Programme — is a misnomer. It does not depict the design, integrating the necessary forward and backward linkages required to sustain the activities. At best, it is only an output-oriented programme."

The success of any development programme depends on the participation of the people in its implementation. "For IRDP, the participation of the people is needed in the process of beneficiary identification ... and for repayment of loan. However, the actual participation of the people in IRDP has been on a low key. The identification is mostly done by the block officials along with political leaders. As far as the recovery of the loan is concerned, participating households perceive the subsidy as a gift from the government and tend to see loans from commercial banks in the same vein," says K.S. Ramesh, who conducted the ASCI study.

Lost faith. Identification of beneficiaries has taken a long time in some of the districts. Added to that, the commercial banks have taken considerable time to process the loan applications. This has been attributed to the lack of coordination between the programme implementing authorities and the commercial banks. Where the delay has been unduly long, the beneficiaries have lost faith in the programme. The village councils were expected to be involved in this identification. "However, it is reported in a study undertaken in Tamil Nadu that the beneficiaries were selected by the block officials in consultation with political leaders and influential persons in the villages. This gave rise to the inclusion of such beneficiaries who had the support of the leaders. In many cases, it is reported that they were not the genuine beneficiaries," Ramesh points out.

The government has decided to combine all rural programmes. There will be a new thrust; but will the results be any different?

Not surprisingly, there are instances of misuse of assistance as well. Narrating an interesting case, Ramesh says, "A beneficiary who already owned a buffalo was in need of cash for some social obligations. He was listed as one of the beneficiaries under the programme and the block officials were willing to get him a bank loan as well as the subsidy component. The beneficiary handed over the animal to one of his friends and asked him to bring it to a weekly market where the transaction had to take place in front of the block officials and the officer of the commercial bank. The transaction took place to convince the officials that the beneficiary was buying the buffalo in the market, for which the loan and subsidy were given. This type of misuse of government funds has been reported by a number of researchers who have evaluated programmes."

Says B.C. Muthayya, director (psychology), at the Hyderabad-based National Institute of Rural Development (NIRD): "IRDP is a very good programme. As a policy it is a direct attack on poverty. It is well conceived and is very timely. But the coordination of rural development administration and banks is far from satisfactory. The administrative laxity in implementing the programme has led to unscrupulous elements taking advantage. All this has resulted in low returns to beneficiaries, making it impossible for them to cross the poverty line. The major part of the finance to beneficiaries was made for milch cattle without considering the viability, fodder availability in the area, the borrower's capacity to maintain the cattle and also the potential for marketing the milk."

Interesting study. In yet another interesting study carried out in all the 12 blocks of the tribal-dominated Jhabua district in Madhya Pradesh by H. Pais and C.S.K. Singh of the National Labour Institute, it was revealed that the IRDP has pushed its beneficiaries further down the poverty line instead of pulling them up.

Ironically, a majority of the beneficiaries who had a zero-level indebtedness in the pre-scheme period had become indebted during the scheme and in the post-scheme period. The study attributes this to lapses in the identification of beneficiaries.

The wishful thinking in the political echelons in the country is that poverty will be eradicated within a decade. "If these assumptions were to come true, the development efforts have to be undertaken on a war-footing, with 15,000 families going above the poverty line every day. According to an evaluation study undertaken by the NIRD, 300 families crossed the poverty line in a block within one year after receiving assistance from the IRDP. If these figures hold good for all the blocks in the country, one can conclude that the IRDP helps hardly 5,000 families to cross the poverty line every day on an average, thus achievement is just one-third of expectation," says a highly pessimistic Ramesh.

The government has now decided to combine all the rural development programmes. There will be a new thrust, new confusion; but will the results be any different?

■ *P.L. Diwakar Rao*

"I'M NO ORDINARY COW; I'M AN IRDP COW."

ELECTRONICS NODAL CENTRES

The electronics culture is spreading its circuitry over more areas of the Indian sub-continent. Three new centres for electronics design and technology are to be set up in Punjab, Calicut and Gorakhpur to augment the four already in existence.

The centres have been given clear guidelines which include the identification of potential entrepreneurs and designers and offering them training in product development and manufacture

The recent past has seen a lot of carrots being dangled in front of entrepreneurs to lure them into the electronics business arena. The promotion of the electronics centres concept under the department of electronics is one of them.

SWEET PROSPECTS

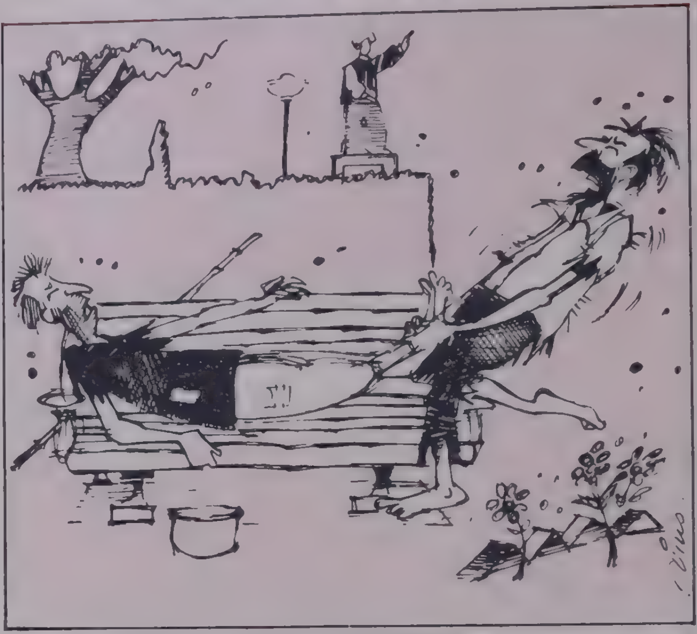
After several years, the fortunes of the sugar industry appear to be taking a sweeter turn. This season, production is likely to touch 91 lakh tonnes.

At this level of output, the need to import sugar will not arise this year. This is in contrast to the last three years, during which 30 lakh tonnes of sugar were imported.

Undoubtedly inspired by this new-found self-sufficiency, the Indian Sugar Manufacturers' Association (Isma) has asked for an increase in the levy price of sugar.

Should these prices be raised, in the absence of imports, it could lead to a rise in sugar prices. And even though the sugar industry would be all smiles, it would leave a bitter taste in consumers' mouths.

A BOON TO BENAMIDARS



"I WON'T GO! UNDER THE ANTI-BENAMI ORDINANCE THIS BENCH IS MINE NOW!"

Benami property holders must have received a rude jolt on 19th May. If the provisions of the Benami Transactions Ordinance promulgated that day come minus the usual loopholes that accompany every new law, property owners may have to kiss their *benami* holdings goodbye.

The Ordinance, which has already come into force, takes away the rights of the real owner of a property and instead confers it on the *benamidar*. In effect, this means that if a *benamidar* chooses to pretend he is the real owner of a property, there is nothing the real owner can do to toss him out. At least legally, that is.

If the sleeping partners in *benami* holdings wake up to the opportunities newly conferred on them by the Ordinance, the real owners of property are doomed to sleepless nights in future.

RUBBER WARS

Rubber planters and users are at loggerheads once again. The most recent salvo in this protracted battle has been fired by M. Kapoor, president of the All India Rubber Industries Association, who has lambasted the planters' demand for an increase in the price of natural rubber.

Kapoor recently claimed that though per hectare productivity of rubber in India is the second highest in the world (Malaysia comes first), Indian rubber prices are the highest. Thus, the planters' demand for a higher price of Rs. 22 a kg was totally unjustified, he said. The cost of production, he argued, was just Rs. 10 a kg.

The government's 'misguided' import policies also came in for flak. Kapoor said that the maintenance of buffer-stocks of natural rubber has not helped keep prices stable. Instead, the government should fix prices on the basis of the cost of production, he said.

The ball is now in the planters' court. But if the past is any indicator, they are sure to smash it out of the ground.

POWER PLANS

About 49 new power units are proposed to be commissioned in the current financial year. Of these, 21 are thermal units, 27 hydel and one nuclear. Together they will enhance the country's total capacity by 4,500 Mw.

According to newspaper reports, most of the new power units (21 to be exact) will be concentrated in the northern region, including eight thermal units with a total capacity of 1250 Mw and 12 hydel units with 280 Mw capacity. The only nuclear plant that is proposed to be commissioned this year is located at Narora in Uttar Pradesh, with a 235 Mw capacity.

The southern region will have a share of two thermal units with a total capacity of 710 Mw and 10 hydel units with an aggregate capacity of 372 Mw.

Although the western region comes third in terms of number of units, it leads the southern region in terms of capacity addition. Five thermal units and two hydel units will add 1,345 Mw of capacity in the region.

The eastern region will have three hydel units and three thermal units with a total capacity of 260 Mw. The north eastern region brings up the rear with two units in Manipur and one in Assam, the three together adding up to 32 Mw.

ENCOURAGING SERVICE EXPORTS

While the finance minister has emphasised the need to boost foreign exchange earnings and has, therefore, enhanced the relief under s.80-HHC to export-oriented units by providing 100% deduction on taxable profits, a similar amendment has not been made under s. 80-RRA which gives exemption to certain professionals who earn and bring foreign exchange to India by exporting services.

The present s.80-RRA is unduly restrictive in its ambit. It allows the benefit of exemption only to a technician. A technician means a person having specialised knowledge and experience in: (i) constructional, or manufacturing operations, or mining, or the generation or distribution of electricity or any other form of power; or (ii) agriculture, animal husbandry, dairy farming, deep-sea fishing or shipbuilding; or (iii) public administration or industrial or business management; or (iv) accountancy; or (v) any field of natural or applied science, including medical science or social science; or (vi) any other field which the Board (central board of direct taxes) may prescribe in this behalf. Further, the benefit is restricted to just 50% of the remuneration, and is available for three years only.

> *An amendment could be made to s.80-RRA to provide that any amount earned by an Indian citizen for rendering services outside India would be exempt from tax to the extent of 50% of foreign exchange earnings*

Recently, the Supreme Court has given its judgement on the meaning of the word "remuneration" as used in s.80-RRA in *C.B.D.T. v. Aditya V. Birla (170 I.T.R. 137).* The facts of this case are that the assessee had entered into an agreement on or about 5th May 1978, with Thai Rayon Co. Ltd. in Thailand.

Thai Rayon was engaged in manufacturing and selling staple fibre in Bangkok. The agreement said that the assessee was a technician holding a bachelor's degree from the Massachusetts Institute of Technology of the US and had several years of experience manufacturing and marketing staple fibres through his association with companies engaged in similar business. Thai Rayon as the "employer" had approached him to make available his services in Bangkok on certain terms and conditions, which, *inter alia,* prescribed that the Thai company would pay to the assessee remuneration of $ 12,000 per annum in quarterly instalments and it would be receivable at Bangkok.

The assessee applied to the government of India for its approval to secure the benefit under s.80-RRA. On 8th June 1979, the government informed the assessee that it was unable to approve the employment with Thai Rayon for the purpose of s.80-RRA as the section, according to the government, applied only to employees."

It was stated that the status of the assessee was that of a "consultant" and not an "employee." Therefore, s.80-RRA was not applicable. The assessee would thus not be allowed the benefit under the section.

The question before the high court was whether the government was right in its view. The learned single judge of the high court quashed the communication refusing to accord approval and directed the government to reconsider the application.

There was a letters patent appeal before the division bench of the high court, which dismissed it. The matter was then referred to the Supreme Court.

The revenue counsel contended that the remuneration received by a part-time consultant from a foreign employer or an Indian concern abroad could not include remuneration paid to a person.

The Supreme Court did not accept this contention. According to the court, it has been made clear that remuneration due should be chargeable under the head "salaries" for the services rendered as a technician in s.10(6)(vii). S.80-RRA does not use these phrases. Apparently, therefore, it should follow that it did not cover fees received by the consultant for services rendered outside India.

An analysis of s.80-RRA reveals that in order to be entitled to deductions the sum should be (i) remuneration, (ii) received by the assessee in foreign currency, (iii) from any employer (being a foreign employer or an Indian concern) for any services rendered by him outside India. Furthermore, the terms and conditions of his service outside India should be approved by the Central government.

It, therefore, follows that it comprehends a whole-time servant or a part-time engagee. It is significant that s.80-RRA of the Act uses the expression "remuneration" and not salary.

The Supreme Court held that there was no reason to restrict the meaning of the expression "remuneration" only to salary received by an employee abroad. The literal meaning was clear and, therefore, the court did not consider it necessary to bother any more about the intention or the purpose.

The intention, in the opinion of the court, was writ large. In principle also, the court opined that it was unable to find any rationale or reason for the distinction sought to be made on behalf of the revenue department.

In conclusion, s.80-RRA of the Act needs to be amended to give effect to the decision of the Supreme Court, so that a taxpayer is aware of the circumstances in which the benefit of that section is available to him.

■ *H.P. Ranina*

The author is a Bombay-based advocate.

MONOPOLIES COMMISSION: EFFECTIVE WATCHDOG

A poodle it isn't any more. A bulldog it isn't yet. But having developed a reasonably menacing bark to deter potential transgressors, the Monopolies & Restrictive Trade Practices Commission (MRTPC) has of late proved that it can do without the bite.

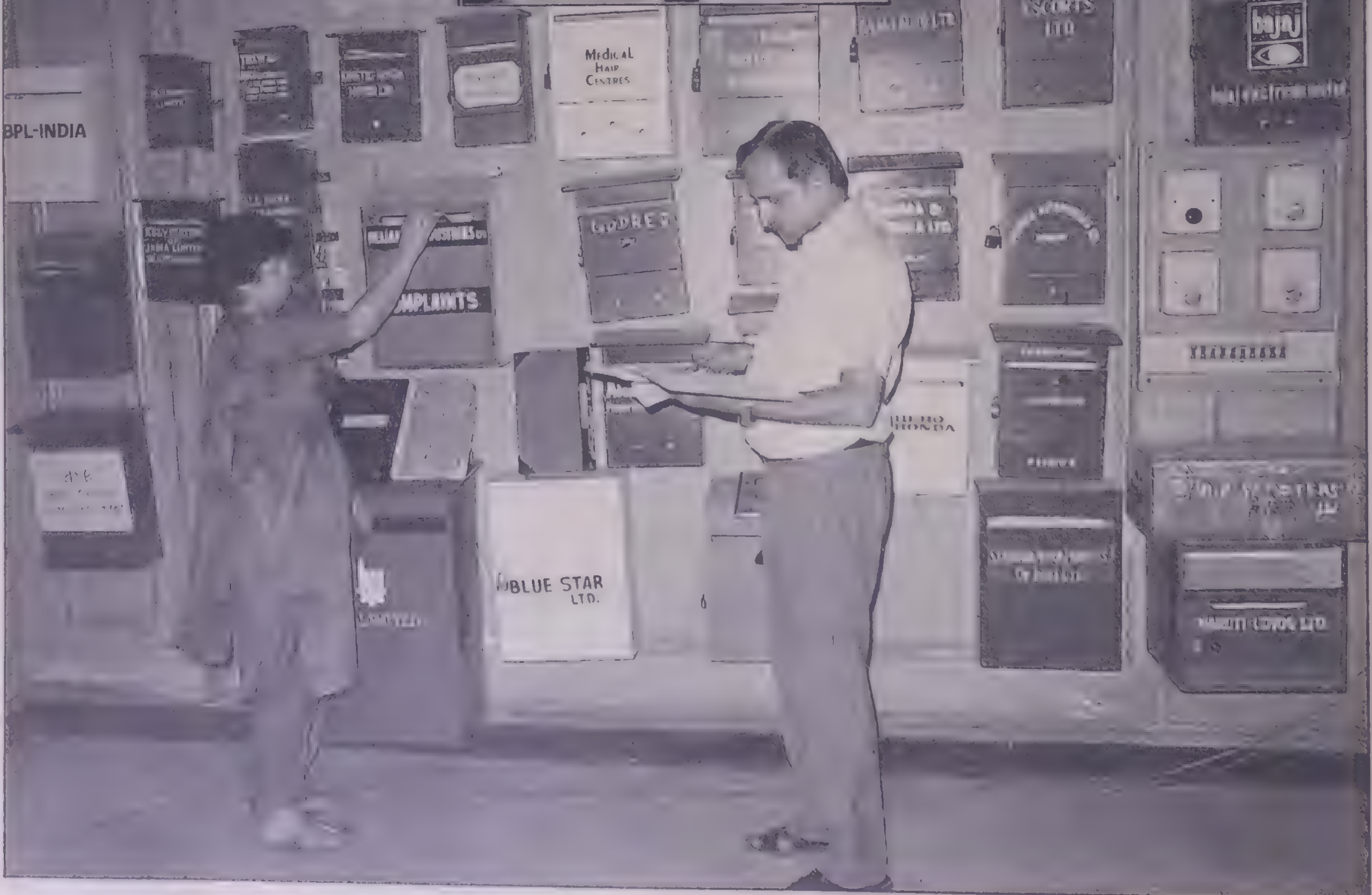
Ask Colonel Venkatesh of Bangalore. Or M.L. Talwar of Delhi. Or, for that matter, R.M. Tiwari of Nagpur. None of them is probably even remotely aware of the others, but they have one thing in common. In recent months each of them has been helped by the MRTPC to get grievances redressed — against Bangalore Telephones, the Electronics Corporation of India Ltd., and HMT respectively.

BHAT: UPHOLDING CONSUMER INTERESTS

Other companies too have been getting an earful from the commission for transgressions big and small. Among them: ITC, Bata, Colgate-Palmolive, Hindustan Lever, Avon Cycles, Blow Plast, Burroughs Wellcome, Fedders Lloyd, Garden Silk Mills, Apple Leasing, Indian Rayon ... the list is almost endless. Not surprisingly, the commission is rapidly emerging as the country's most important crusader for consumer protection. And companies have started developing a healthy respect for it. "I think companies are becoming more watchful now," says P. Choudhury, president of Blow Plast.

They had better. The commission

CORRIDOR OF COMPLAINTS AT THE DG (I&R) OFFICE



has left no one in any doubt that it takes the business of protecting consumer rights seriously. Last year (1987), the Union company affairs department's directorate-general (D-G) of investigation and registration (I&R) which works in tandem with the MRTPC, probed 404 cases involving restrictive and unfair trade practices by companies. That's more than the number of investigations handled in the previous 10 years. And with the commission on their side, more and more consumers have turned belligerant. In 1985, a mere 5,000-and-odd complaints reached the D-G; two years later, the drizzle had developed into a torrential 24,000 plus complaints.

The result: the corporate sector is increasingly being rapped on the knuckles. From the big boys to the fledglings none has been spared. Consider this sample:

- Hindustan Lever Ltd. (HLL) was recently asked by the D-G to desist from certain restrictive trade practices. The company was found to be clubbing the sales of its slow-moving detergent (Surf) with fast-moving products like toilet soaps and ordering its stockists to purchase only those goods which it wanted them to and in the combinations desired by it. One stockist who demurred, got the axe. The commission directed the company to pay Rs. 10,000 to the office of the D-G for its labours.
- United Breweries Ltd. (UBL), Vijay Mallya's liquor company, has been hauled up by the commission for advertising its liquor brands indirectly. Liquor advertising is banned in India, but UBL and other companies like Shaw Wallace carry full page ads in magazines which apparently sell cologne, soda, mineral water and playing cards having identical brand-names as the liquor.
- Stallion Shox Ltd. was restrained by the commission from going ahead with its high-profile advertising campaign on the ground that it made several misleading claims. The company's ads claimed that its shock absorbers were 100% tamper-proof and their life was 75% longer than that of other brands. The D-G found the second claim to be untrue as the guarantee period provided by Stallion was the same as that given by other companies.
- Fedders Lloyd Corporation, Delhi, was taken to task by the commission for making misleading claims to sell its air-conditioners. An air-conditioner sold to a Nagpur-based engineering company was found to have been defective from the date of its installation, and the company did not rectify the defect even though the customer had complained about it during the warranty period. Moreover, the D-G found that in claiming that the air-conditioner was fitted with a US-made compressor, Fedders Lloyd had misled the customer; the compressor had actually been made by Kirloskar Brothers.
- Body Wrap, which offers slimming programmes for the overweight in clinics spread across the country, was rapped for making untenable claims about its treatment and also wrongly guaranteeing its outcome. The commission at first issued a temporary injunction, and then decided that it would remain valid until the inquiry launched by the D-G was completed. Body Wrap had made the incredible claim that a customer can lose 5-15 inches of body fat in one hour and 2 kg in a week, without exercises or diets. To top it all, it had claimed that the weight lost by the customers stays lost.
- The pharmaceutical company Roche Products was recently barred from making false and misleading claims (in medical literature supplied to doctors) about its drug ferro redoxon, meant for combating iron-deficiency in expectant mothers. Roche's literature waxed eloquent and claimed that 200 mg of ascorbic acid would increase the absorption of medicinal iron six times. (Ferro redoxon contains iron and ascorbic acid and the claims were held to be purely aimed at sales promotion.) It was found that in reality 200 mg of ascorbic acid increased the absorption of medicinal iron by only 30%. Moreover, Roche had suppressed the fact that increased intake of ascorbic acid could have undesirable side-effects.

Why have the MRTPC and its investigative arm suddenly assumed the roles of knights-in-shining-armour rushing to the aid of the stricken? After all, the MRTP Act was legislated as far back as in 1969, but it is only in the last four years that the commission has shown its teeth.

Some history can help explain why. The main objective of the MRTP Act of 1969, as of any anti-monopoly legislation, was to protect the interests of consumers by keeping competition alive and preventing restrictive trade practices. The term "restrictive trade practice" referred to any corporate action which tended to prevent, distort or restrict competition in any manner; resulted in the manipulation of prices or conditions of delivery; or which affected the free flow of supplies in the market and thereby imposed "unjustified" costs or restrictions on consumers.

The watchdog appointed to oversee the implementation of the Act was the MRTP Commission. However, for the first 15 years of its existence, the commission neither had the power to pass final orders on any restrictive trade practice nor the freedom to pursue inquiries independently — it could do so only on a reference from the Central government. The only power enjoyed by the commission in regard to restrictive trade practices

MRTPC OPENS ITS GATES TO CONSUMER GRIEVANCES

MONOPOLIES AND RESTRICTIVE TRADE PRACTICES COMMISSION

A QUESTION OF EQUITY

In the wake of the equity explosion of the mid-eighties, the MRTP Commission has opened up a new front to battle the forces of deception. The objective: to prevent gullible investors from being taken for a ride by companies eager to grab their money. Accordingly, the commission has been taking a hard look at the sins of omission of equity-seeking companies.

Garden Silk Mills was one of them. The company offered shares to the public in February 1988. It projected blooming prospects in the issue advertisement campaign. But, according to the MRTPC, the blooming scenario was actually a case of intentional bloomer. To start with, the high flying textile company promised a minimum dividend of 25% — a big enough carrot to lure investors. The commission didn't like it a wee bit. Says a high ranking MRTPC official: "Only a con man masquerading as an astrologer can predict future profits and dividends. How can the board of directors of a large company do so?"

That's not all. The Garden ad campaign claimed that the trading price of the company's equity was Rs. 160 (face value: Rs. 10). "The actual price was Rs. 130," says the official. For the commission — with its newly acquired aggressive image — these were cardinal sins. And, it ordered an enquiry.

Several others sinned similarly. Universal Luggage Ltd. — the Aristocrat company — had made tall claims about profits, growth and dividends. So had Indian Rayon, Apple Computers and Khaitan Chemicals Ltd. amongst others.

All of them came under the harsh glare of the MRTPC's scrutiny and some have wilted. The Birla group's Indian Rayon, for example, has pledged before the commission to never indulge in questionable issue ads again.

Smaller operators confronted. Most of the cases taken up by the commission are of high-flying companies bending norms to fly even higher. But smaller and sharper operators have also been confronted by the commission. Marudhar Services Ltd., a New Delhi-based outfit promoting an eucalyptus plantation, told investors that 'money grows on trees.' It also claimed close links with the Punjab, Delhi and Haryana Chamber of Commerce and Industry and nationalised banks. Subsequent investigations revealed no such connections. The commission forthwith restrained the company from luring 'gullible investors.' The eucalyptus outfit had also promised a trebling of investment in six years.

A Tamil Nadu-based builder, Kalaimagal Sabah, was smarter — and much more audacious. It offered an incredible Rs. 1.6 crores for an investment of Rs. 4,000 after 20 years. The Madras-based Oriental Finance & Exchange Co. offered 28% interest per annum on a 30-day deposit. In both cases, the commission contended that "the incredibly high rate of interest is undoubtedly with the intention of not honouring it."

If the USP of these promoters was a simple appeal to human greed, there have been more ambitious smoothies offering not only an opportunity to rake in the *moolah*, but also the esoteric perks of life in exotic places. These are the so-called holiday resort companies. And, the commission has come down heavily on them. The most famous of them has been Dalmia Resorts. The company offered free accommodation in classy units for investors in places ranging from Kodaikanal to Florida. All you needed to do was to loosen your purse strings, and holiday resorts would be there for the asking — free of cost for you and your family. There was also a provision for swapping resorts and renting them out when not needed. Says the official quoted earlier: "The swapping and renting out to others joining the scheme was hogwash. All it meant was: you could rent out your cottages to a freak who wanted to spend his winters in Simla or the Alps." There were others too, such as Ansal Resorts.

HOLIDAY RESORTS: OFFERING EXOTIC PERKS

When your friends abroad talk to you of resorts in the Caribbean, tell them about the Dalmia Resort at Goa.
The Old Anchor
The Old Anchor
Dalmia Resorts International Pvt. Ltd
AVAIL OF THE INSTALMENT SCHEME

Interestingly enough, in most of these cases, it was the directorate-general of investigation and registration — a body almost independent of the commission — which initiated enquiries and proceedings on its own. The cases were subsequently offered to the commission for verdicts. But, whoever was the moving force behind the reining in of 'companies deliberately misleading the gullible investor,' the impact has been salutory. Says M.R. Mayya, executive director of Bombay stock exchange: "This acts as a deterrent for companies which might be thinking of misleading investors. Besides, it shores up credibility — a vital factor in today's stockmarket."

So far, so good. Yet, there is a catch. While this enthusiastic castigation of "villain" companies reflects a new-found energy in the commission, the results are far from satisfying. Says a company official of a multinational: "The investigations and verdicts haven't stemmed the tide of misleading information meant to lure investors." And, in a way, he is right. Companies still make illogical, and sometimes, impossible claims while hawking equity shares. Dalmia Resorts still portrays a woman in a bikini in a hammock to sell its resorts. Chit funds and finance companies still offer interest rates as high as 28% a year on short-term deposits. But the commission is unfazed. "There will always be smooth operators who offer the moon. We will always go after them. But then, you can't win them all," says the commission official quoted earlier. The statement reflects the new found missionary zeal of the body. And its limitations.

was that of issuing "cease and desist" orders. Only if a company which was pronounced guilty contravened an order to discontinue its restrictive practices could it be punished — with a fine of Rs. 5,000 and/or imprisonment up to six months.

Until 1984, there was another serious lacuna in the Act: it contained no provision for protecting consumers against false or misleading advertisements or other similar "unfair" trade practices. It concentrated entirely on restrictive or monopolistic trade practices, on the assumption that if manufacturers and dealers could be prevented from distorting competition, consumers would get a fair deal. "But this is only partly true. There is now greater recognition that consumers need to be protected not only from the effects of restrictive practices but also from practices which are resorted to by trade and industry to mislead or dupe customers," the Sachar Committee's report on the Companies and MRTP Acts had observed in 1978.

The report, prepared by Justice Rajinder Sachar, had pointed out that the Act as it then stood offered consumers no redress from false or deceptive advertisements or specious sales promotional devices such as discounts, contests and gift schemes which lured buyers into believing that they were getting something for nothing. As a result, manufacturers could, with impunity, make misleading claims about their products — the potency of drugs, medicines and beauty aids for example. The committee's recommendation — that unfair trade practices be brought within the purview of the MRTP Act — finally led to three crucial amendments in 1984. Since then, the overwhelming majority of the cases dealt with by the commission have been of this variety.

The recommendations of the Sachar Committee were finally incorporated into the MRTP Act in August 1984, six years after they were first suggested — and 15 years after the Act itself had come into being. Three changes were made. First, unfair trade practices were brought within the purview of the Act through s.36A, and effective implementation of this Act has increasingly made it a public interest law. Second, s.12A gave the MRTPC power to issue interim injunction orders in cases involving "grave public concern" (in 1987, the commission granted 59 such orders — mostly *ex parte* — an average of more than one a week). Finally, s.12B provides for monetary compensation for loss or injury sustained by a consumer(s) as a result of unfair, restrictive or monopolistic trade practices indulged in by producers and sellers.

...the consumers need to be protected from practices resorted to by trade and industry to dupe customers

— Justice Rajinder Sachar

The amendments have been put to good use by the D-G (I&R) and the commission. Says Ravindra Sharma, secretary to the commission: "With the 1984 amendments having brought unfair trade practices within the purview of the Act, the thrust has shifted to curbing unethical practices in the business world." Adds N.P. Bhat, director-general of investigation and registration: "Before the amendments came into being, the MRTP Act was just another commercial law. Today it is a public interest law."

Sharma explains that the commission gets cracking whenever:

- It receives complaints from a recognised consumer or trade association or an individual member of such an association, and since 1987, even from an ordinary consumer.
- It receives a reference from the Central government.
- The D-G (I&R) refers a complaint to it.
- It feels it must take up a complaint on its own initiative.

GENTLEMEN OFFENDERS

Many complaints are sorted out merely by writing to the company concerned. "But if we find that the company is persistently supplying defective goods or indulging in an unfair trade practice, we start an inquiry," explains Sharma. The offender is given the option of giving an unconditional undertaking that it will discontinue the prohibited practice, failing which the commission passes a "cease and desist" order. If the offence is likely to cause loss or injury, the commission may grant an interim injunction while the inquiry is pending. Within two months of an order being passed, the company in the dock is required to submit an affidavit that it has complied with it. But even if it does not comply, the commission does not straightaway prosecute — it issues a show cause notice as to why prosecution should not be launched. "In the corporate world, we treat offenders as gentlemen and not as common criminals," comments Sharma.

That probably explains why the commission has little to show by way of successful action against offenders. In the four years that the amended Act has been in force, the compensation awarded to aggrieved consumers has been a minuscule Rs. 2 lakhs. And even though the commission can launch cases in session courts (earlier, prosecutions had to start at the courts of metropolitan magistrates) it has not yet secured a conviction.

Sharma argues that in most cases there is no need for the offender to come to court at all. Several companies, on being approached by the commission or the D-G (I&R), have themselves offered to discontinue the impugned trade practices. Burroughs Wellcome, for example, was some time ago accused of suppressing the harmful side-effects of its headache relieving Ridake paracetamol tablets, while highlighting those of Aspirin, a rival analgesic. The company gave an undertaking that it would discontinue the misleading advertisements.

Others have given such undertakings only after interim injunctions granted by the commission demonstrated that it meant business. Blow Plast, manufacturer of moulded plastic luggage, had claimed that its gift coupon scheme would give benefits of up to Rs. 5,000 to buyers of VIP suitcases. When the commission issued an *ex parte* interim injunction order on the ground that such gift schemes interfered with competitive forces, Blow Plast offered an unconditional undertaking that it would discontinue the gift scheme. In the case of Khaitan Electricals also, the manufacturer offered to discontinue advertisements which gave the impression that buyers of Khaitan fans were entitled to a free gift each (when in fact, the cost of the gift was included in the price of the fan) only after the commission granted an *ex parte* interim injunction.

OBDURATE COMPANIES

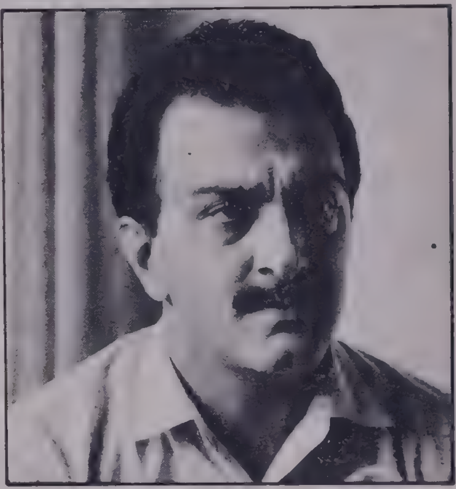
Some companies have, however, proved more obdurate — ITC, Bata, Colgate-Palmolive and Body Wrap, for example. ITC was restrained by an interim injunction from continuing with its 1984 "Made for each other" contest, in which at least one partner among participating couples had to be a smoker, in order to be eligible to receive prizes. The commission argued that a clause in s 36A of the MRTP Act prohibited the conduct of any "contest, lottery or game of chance" if it was intended to promote the sale or use of any product or business interest. ITC obtained a stay from the Delhi high court against the orders of the commission and, though the stay was later vacated, the inquiry dragged on. In the meantime, ITC, not wishing to attract further unfavourable publicity, has discontinued the contest — without, however, giving any undertaking to the commission.

Bata India was also restrained from holding its "Bubble-gummers contest." The fact that customers visiting Bata shops could only get the higher-priced varieties of Bubble-gummers shoes (when the company claimed that buyers of even cheaper shoes could enter the contest) was found to be an unfair trade practice.

Bata's defence was that: (a) There was no price change in Bubble-gummers during 1984; (b) New designs of the shoes had been introduced at different prices; and (c) No profits were expected from the contest, which purely aimed at promoting the Bubble-gummers brand. The company, therefore, obtained a stay order from the Calcutta high court, and the inquiry is still pending.

Colgate-Palmolive followed the same route. It obtained a high court stay after the commission ruled that a contest (held after a 10 paise hike in the price of tooth brushes), which forced customers to buy two toothbrushes as a pre-condition for participation was an unfair trade practice.

KHANNA: LIMITED SUCCESS



PROTECTING CONSUMERS

Says Bhat: "The primary concern of the amended MRTP Act is to ensure that channels of distribution, supply and marketing are kept free of unethical trade practices which jeopardise competition and cause injury or loss to consumers. And since my directorate-general administers the MRTP Act, we try to ensure that the marketplace becomes fully competitive so that consumers get goods and services of the required quality at reasonable prices and in adequate quantities."

On receiving a complaint, the D-G initiates an inquiry and submits a report to the MRTPC, and appeals against the latter's orders can be made to the Supreme Court (giving the commission the implied status of a high court). But the D-G is also empowered to initiate action on its own, whenever an unfair or restrictive trade practice comes to its notice. It need not wait for a formal complaint from aggrieved parties.

It is the use of this power, together with the simple procedure for filing complaints (there is no prescribed form or fee — an ordinary handwritten letter is enough) that has made the D-G such a potentially powerful protector of consumer rights. In 1987, the D-G received a mind-boggling 24,000 complaints (up from a mere 5,000 in 1985) — an average of 65 a day. All complaints are grist to the D-G's mill whether the complaints are about defective consumer durables like washing machines, TV sets and automobiles, coolers, or office equipment like photo-copiers and computers, or concern non-payment of interest on fixed deposits by companies.

Consider the following examples. When Subedar Major Sohan Singh of Hoshiarpur found that his newly-purchased washing machine was malfunctioning from the day it was installed, it was only a complaint to the D-G and the latter's intervention that persuaded the manufacturer to replace the defective machine. When Vineet Sood of Ludhiana complained that he had to replace, at his own cost, the battery of a new Premier Padmini during the warranty period, the D-G persuaded the automotive company to compensate Sood for the cost of the battery. And when Bilaspur Spinning Mills, Calcutta, would not repay Shanti Jindal a fixed deposit (with interest) which had matured, a complaint to the D-G prompted the company to cough up.

The examples can be cited *ad infinitum*, and they all indicate that due to the additional powers now exercised by the MRTPC and the D-G (I&R), the consumer is finally asserting himself. Says Bhat: "The MRTP Act is gradually proving to be a panacea for all conceivable grievances of the consumer. These can now be promptly and effectively redressed, provided consumers invoke the relevant provisions in time."

Even public sector enterprises and utilities have not been spared, though all departments and corporations owned by the Central and state governments are exempt from the purview of the MRTP Act. (The logic behind this appears to be that government-controlled companies will not exploit the general public. But with a large number of public sector enterprises now making consumer goods, this anomaly had to be rectified: the recently enacted Consumer Protection Act applies to the public sector.) In recent months, HMT and Electronics Corporation of India have been forced by the D-G to repair defective products sold by them to customers in Nagpur and Delhi, while Bangalore Telephones was persuaded to compensate a subscriber for excess billing.

CORRIDOR OF COMPLAINTS

Quite apart from these actions undertaken at its own initiative, the D-G (I&R) is so inundated with complaints that Bhat has had to improvise techniques of disposing them off speedily. As many as 32 companies (including Maruti Udyog, Reliance Industries, Bajaj Auto, Kinetic Honda, Lohia Machines, Mahindra & Mahindra, Escorts, Hindustan Motors, Premier Automobiles, Godrej, Blue Star and Peico Electricals) were persuaded to display complaint boxes in what Bhat calls "the corridor of complaints" of his office.

Executives of the companies collect the complaints on an appointed day every week, and before the next visit of the executives, the companies are not only expected to sort out the complaints but also submit a progress report to the D-G. "The idea is to achieve satisfactory and prompt redressal of grievances without resorting to the due process of law, since no complaint is lodged with the MRTP Commission in such cases. And last year over 4,000 individual complaints were sorted out through this system," says Bhat. In addition, a separate cell has been set up to deal with complaints against those companies which do not maintain complaint boxes. The method adopted here is persuasive correspondence and, according to Bhat, over 1,000 such grievances were redressed in 1987.

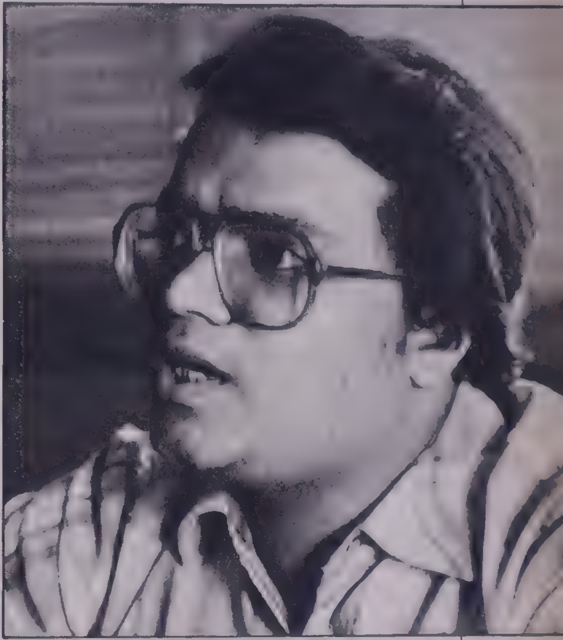
Yet, if the D-G and the MRTPC have achieved a fair measure of success over the last couple of years, there is also the other side of the picture. Sriram Khanna, convenor of the Delhi-based consumer rights group, Voluntary Organisation in the Interests of Consumer Education (Voice), argues that the MRTP Act still has few teeth and little deterrent effect. As a result, he points out, of the 1,270 claims for compensation filed against 16 companies, as many as 1,250 are still pending. One complainant was awarded Rs. 120 in a case against India Book House, and 16 others were awarded a total of Rs. 1.54 lakhs in a complaint against Oriental Finance & Exchange Co., Madras. And out of 174 applications filed so far for compensation for loss or injury arising from restrictive trade practices, not one has been successful. "This has been the result after four years of the implementation of the amended MRTP Act," he observes. But Khanna nevertheless concedes that the D-G's new activism is "a welcome first step in the right direction."

On the other side of the fence, the corporate sector feels that the commission may be doing too much and too little at the same time. Sunil Khaitan, vice-chairman of Khaitan India says that the MRTPC is not doing enough to check the kind of worthless guarantees issued by rival fan-makers while taking excessive note of *benami* complaints made against companies offering genuine guarantees. "What many manufacturers actually give is merely a warranty, or in other words, a conditional promise for servicing. The MRTPC can serve the consumer interest by checking the issuance of worthless guarantees," says Khaitan. At the same time, manufacturers offering genuine guarantees are not quite immune from MRTPC action.

"Rather than taking up individual complaints which are usually lodged in *benami* fashion by competitors, the MRTPC should take up issues which really affect the consumer," adds Khaitan.

Some others in the corporate sector, while broadly approving of the commission's and the D-G's role, have questioned the publicity given to complaints. Says Irfan Khan, general manager (communications) of Hindustan Lever Ltd., whose best-selling Fair and Lovely cream has been the subject of a consumer's complaint: "We approve of the role the commission is playing, but the point is that mere complaints should not be given premature publicity. It is the final verdict that the commission must publicise and not the complaint." Hindustan Lever itself feels aggrieved in this case — it feels that the claim that "Fair and Lovely" can make a person fairer can be substantiated. The company has in fact contested the consumer's complaint and Khan is confident that "we will be able to uphold our claim — after all, we have patents for Fair and Lovely in countries like the USA and Japan."

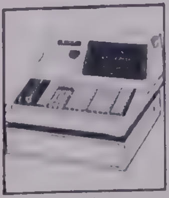
But this could well turn out to be the exception that proves the rule for corporate executives agree that companies have developed a healthy respect for the commission. Says P. Choudhury, president of Blow Plast, which was at the receiving end of the commission's strictures some time back: "I think people (i.e. companies) are becoming more watchful now (to avoid getting into the bad books of the commission)." Choudhury reveals that Blow Plast now often consults MRTPC officials before launching consumer schemes (like offers of gifts), so that there are no problems later. "We take advice informally and I stay in touch with commission officials," he says. "We go to the commission with queries on our consumer schemes and they give us their opinion. Overall, the commission is playing a positive role in this regard."


KHAITAN: CHECK WORTHLESS GUARANTEES

Coming from industry, that's high praise indeed. It proves that even without a bite, an ability to bark can work wonders.

■ *Rajiv Shirali and Sutanu Guru*

PICK OF THE JOBS



"In Indian business and industry, executives above a certain age are believed to have declining energy levels, drive, motivation and general abilities. This is unfortunate and surprising, considering that only a decade ago, greying signified competence and the requisite maturity to man key senior openings," points out Clarence Lobo, director of Personnel Search Services.

Lobo believes businessmen would do well to keep an open mind on the question and not reject candidates solely on grounds of age, without even a preliminary interview. "On the other hand," he adds, "senior managers should maintain a minimum level of physical fitness.

GENERAL MANAGER

Personnel Search Services is in the hunt for five high-powered general managers for a large well-known group of companies based in Bombay with diversified operations such as mining, fisheries, plastics, soft drinks and transportation. The managers will head the profit centres of these operations.

Aspirants should be senior managers with general management exposure and preferably a strong background in finance. Ideally, they should be engineers or chartered accountants with an MBA, around 35 years of age.

The gross remuneration is around Rs. 2 lakhs a year.

VICE-PRESIDENT — PERSONNEL AND ADMINISTRATION

Personnel Search Services is gunning for a high-calibre vice-president (personnel and administration) for a Rs. 35-crore forging company located in the Bombay-Pune belt, which caters to the petroleum, defence and engineering sectors.

The job entails responsibility for personnel, administration and purchasing functions, as well as liaison with government authorities. The appointee will report to the chairman.

To fit the bill, aspirants should be former defence personnel with the rank of brigadier or lieutenant colonel, or the equivalent in other services, and should be between 40 to 45 years of age. Industry experience is essential and a knowledge of Marathi is highly desirable.

The pay will be around Rs. 1.80 lakhs a year, but is negotiable for the right person.

RESIDENT MANAGER — 5-STAR HOTEL

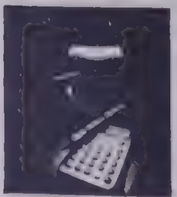
A well-known group, which requires a resident manager for its hotel in Goa to take overall charge of operations has retained Personnel Search Services to zero in on the right candidate.

For this key position, aspirants should be graduates from a reputed catering institute, between 30 to 35 years of age. They should currently be holding the position of food and beverages manager or assistant food and beverages manager.

The gross remuneration offered will be around Rs. 1 lakh a year and a furnished two-bedroom flat.

Enquiries to Personnel Search Services, 3rd floor, Sambava Chambers, Sir P.M. Road, Fort, Bombay-400001. Tel. No. 2862660, 295963.

CHIEF EXECUTIVE



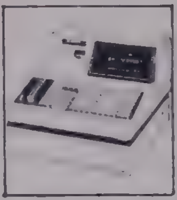
The Concept is searching for a high-calibre chief executive for a large company in Bombay manufacturing industrial nylons using the latest technology.

For this No.1 slot, aspirants should have a technical background with experience in the engineering durables or plastics industries at the general manager or chief executive level. They should possess exceptional general management skills, with a sound finance and marketing base, and should be in their early forties.

The job entails total responsibility for the profitable operation of the company, including its growth plans and co-ordinating and controlling the technical, commercial, administrative and developmental functions. The appointee will report to the managing director.

The compensation package will be a hefty Rs.2 lakhs and includes wide-ranging benefits. Local candidates who have their own accommodation will be preferred.

MARKETING MANAGER



A large, diversified company in Bombay has enlisted the services of The Concept to hunt for a high-flying marketing manager. The company is poised for rapid growth in the consumer products sector, with food being one of its main divisions.

For this key job, aspirants should be seasoned and aggressive marketing professionals aged between 30 and 40 years and capable of implementing the company's growth plans.

The appointee's prime duties would be to oversee the all-India marketing and sales of consumer products and to achieve the division's targeted volume and profit goals.

The remuneration for this high profile job is Rs. 1.20 lakhs a year, with liberal perquisites, which will not include housing.

LIAISON AND PR EXECUTIVES

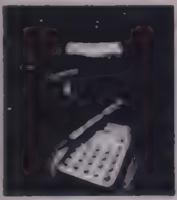
The Concept is searching for dynamic liaison and public relations executives for leading industrial houses in Bombay involved in ongoing projects and with an impressive growth record.

For these slots, aspirants should be between 28 to 35 years of age, with sound track records in liaison and public relations.

The appointees will have to take charge of liaison work with the government and customs department, arranging for press releases, looking after effective time-utilisation of foreign visitors and other VIPs, image-building and so on.

The compensation package will be around Rs. 60,000 a year, with lavish perquisites. The growth prospects are excellent.

GENERAL MANAGER — MARKETING



A well-diversified, large multinational poised for rapid growth in the consumer products field, particularly liquor, has retained The Concept to track down a live-wire general manager (marketing) to be based in Delhi.

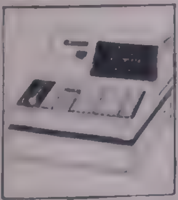
The company is embarking on a strategy of acquisition, diversification and modernisation.

To fit the bill, aspirants should be seasoned and dynamic marketing professionals between 30 to 40 years of age, with postgraduate qualifications in marketing. The appointee will have to oversee the nation-wide marketing operations of the division and achieve its targets.

The salary and perquisites will be attractive for a high performer with an exceptional track record.

Enquiries to The Concept, 67, White Hall, 143, August Kranti Marg, Bombay-400036. Tel.8224422-23/ 8118319.

PLANT MANAGER

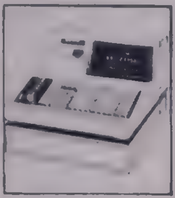


Tristar Consultants is searching for a plant manager for a multinational company manufacturing rubber accessories for the automobile industry. He will be located at Baroda.

Aspirants should be engineers, between 40 to 45 years of age. The appointee will be completely responsible for managing the plant, with a team of managers reporting to him.

Salary will be no constraint and housing will be provided, along with other perquisites.

SENIOR COMMERCIAL & PLANNING EXECUTIVE



A Bombay-based multinational manufacturing agro-chemicals has enlisted Tristar Consultants to headhunt for a senior commercial and planning executive.

Aspirants should be science graduates (agriculture) preferably with postgraduate qualifications in business administration, should be around 30 to 35 years of age, and have a sound track record either in marketing agrochemicals or consumer products.

The appointee will have to assist the marketing manager in his day-to-day functions — sales and stock data procurement, preparation of reports for management, sales planning, forecast preparation, stock monitoring and overseeing field force activities.

For the right person, the salary will be his for the asking and perquisites will be lavish.

Enquiries to Tristar Consultants, 616 Maker Chambers V, Nariman Point, Bombay-400021. Tel. 233905/ 240377.

FINANCE MANAGER

Career Placement & Marketing Services is gunning for a financial whizkid to take charge as finance manager for a large group of companies in Bombay, with an approximate annual sales turnover of Rs. 600 crores.

For this pricey portfolio, aspirants should be chartered accountants or cost and works accountants, between 35 and 40 years of age and with 10 to 15 years' experience in finance, accounts, taxation, etc. He will report to the vice-president.

The compensation package will be Rs. 1.50 lakhs a year, which is negotiable on the higher side. Lavish perquisites, including car and accommodation may be provided for a deserving candidate.

VICE-PRESIDENT — PERSONNEL

A large group of companies based in Madras has retained Career Placement & Marketing Services to zero in on a high-calibre person to take over as vice-president (personnel) of the company based at Madras.

To fit the bill, aspirants should be postgraduates in personnel management from a reputed institute, around 48 years of age, and have a sound track record of 15-20 years in personnel management, training, manpower planning and appraisal, and industrial relations.

The compensation package will be over Rs. 1.25 lakhs a year. Perquisites include a car and housing.

FINANCE MANAGER

Career Placement & Marketing Services is scouting around for a sharp finance manager for a Madras-based company with foreign collaboration. The company manufactures colour flavours and aromatic colours and has an annual sales turnover of Rs. 16 crores.

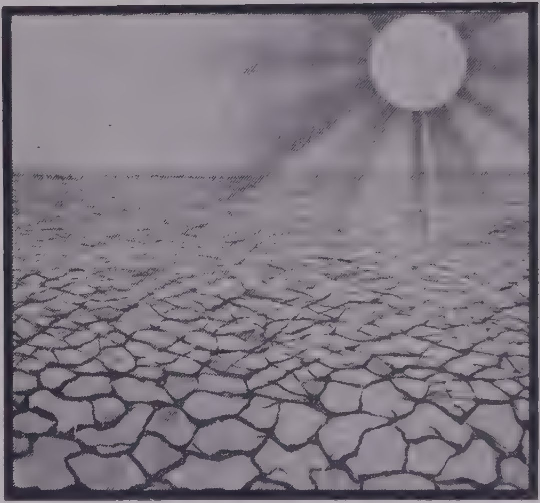
To qualify, aspirants should be chartered or cost and works accountants, between 35 to 45 years of age, with 10 to 15 years' experience in accounts and finance. The job is a No.2 position.

The remuneration will be Rs. 80,000 a year, with liberal perquisites thrown in.

Enquiries to Career Placement & Marketing Services, P. Box No. 8105, Bombay-400051.

■ *Indra Gidwani*

NOW YOU HAVE EVEN BETTER REASON TO CHOOSE WILMAN II TWIN-BLADES



Up to now, you had some pretty good reasons to opt for Wilman II as your shaving system.

The twin advantage that makes sure what one blade misses, the other gets. To give you the closest, smoothest shaves.

The fact that Wilman II is triple-coated for absolute shaving smoothness and more shaves than before.

And the unmatched world-class Wilkinson technology behind it.

Now you have a reason that's even better.

When you buy a composite pack* of Wilman II (a razor and three twin-blade cartridges) 5% of the revenue earned by the company will go to the Prime Minister's Drought Relief Fund.

That's what makes a Wilman II shave all the more worthwhile.

Because every time you shave with Wilman II, you get the super-smooth feeling.

And the nice feeling of contributing to drought relief.

With every Wilman II you buy, you make a small but vital contribution to drought relief.

*Applicable on company sales effected in May and June 1988

Shave with

Wilman II

world-class twin-blade shaving systems

WILTECH

Leaders in quality
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Write to Wiltech India Ltd, M G Road, Bangalore 560 001 for a free booklet on shaving tips

HTA 8744

IMPROVING PUBLIC SECTOR PROFITABILITY

Fresh investments in the public sector should be linked to profitability. If PSUs cannot generate capital for future growth on their own without increasing prices, then they should be left to stagnate

From Rs. 55 crores in the First Plan to Rs. 40,000 crores in the seventh, plan expenditure for the development of core industries in the public sector has seen phenomenal growth. Since the number of new companies in the public sector stable hasn't shown a commensurate jump, it can be assumed that much of this investment has been used for modernisation and expansion. And as is so often the case, many projects of public sector undertakings (PSUs) swallow much larger funds than they were budgeted to.

Despite various attempts, the government hasn't so far been able to inculcate much discipline in PSUs. Whenever the government asks the chief executives of the latter to improve profitability, they invariably ask for more autonomy and funds for fresh investment. Often, they get it. The Steel Authority of India Ltd., for example, was recently granted additional outlays as well as an increase in the price of steel. Unfortunately, it is this kind of governmental support for investments that makes PSUs sick. The interest and depreciation costs of these investments invariably increase the cost of products, which the market is unable to bear. Consequently, production capacities are not fully utilised.

Of late, public sector units have been claiming that about 60% of their costs are accounted for by inputs purchased from outside over which they have no control. So how can they improve profitability? But the price increases demanded are often much higher than what cost escalations warrant indicating that PSUs are trying to cover up the higher interest and depreciation costs of fresh investments too.

The logical solution would be to link fresh investments in the public sector to profitability. If PSUs cannot generate capital for future growth on their own without increasing prices (i.e. after allowing for increases in the cost price of inputs), they should be left to stagnate. If the government has extra funds in its kitty, it can always invest in a new company, which will definitely lead to some additional production and employment. Modernisation of existing units is no guarantee of additional production. Besides, the point is that many existing companies can generate profits by improving productivity since their plant and machinery would already have been depreciated and wouldn't act as a drag on profits.

If this policy is implemented, the top brass of almost all PSUs are likely to divert their attention to the management of existing resources. While this will prove beneficial, the government can aid the process by formulating policies for improving profitability through a reduction of costs.

Apart from linking fresh investments directly to profitability, as suggested earlier, the government should also consider lowering interest rates to help PSUs become profitable.

While overhead costs can be kept down this way, direct costs can be reduced by fixing performance norms. Variances from the norm can thus be automatically checked and the government can control the performance of public sector companies.

Since the norms for internal performance have to be accepted both by the labour unions and the management staff, they must be fixed scientifically after detailed industrial engineering studies, both for labour productivity and materials consumption. This exercise can easily be accomplished by competent management consultants in India.

To some extent, the problems of the public sector also emanate from the private sector's attempts to put pressure on the government to keep the prices of key industrial inputs low. But the private sector must accept the fact that in the short run the public sector cannot hope to deliver the goods unless the prices it gets for its production are adequate. So, initially at least, the government should fix a remunerative rate of return on investment (say 15%) and, in order to see that PSUs don't slip back into their traditional complacency, fix targets for an additional 15% return on investment, say over a three year period. If the PSUs can be goaded into improving their performance, and give a 30% return on investment that would amount to a whopping Rs. 24,000 crores, as against the piffling Rs. 2,500 crores per annum at present on an investment of Rs. 80,000 crores.

■ *K. Gupta*

The author is a Bombay-based consultant

BANKS, NRIs EXPLOIT LOOPHOLES

When the government drew up its schemes to lure NRI investment, it probably underestimated the extent to which these could be misused. It turns out that there are at least two flourishing rackets which unscrupulous NRIs and foreign banks are indulging in.

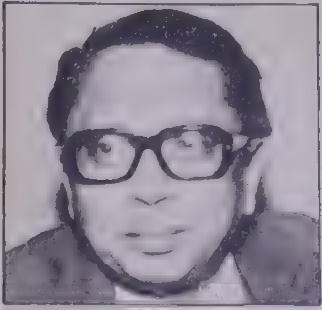
According to a *Business Standard* report, the first "arrangement" involves a deal between certain NRIs and Indian companies, whereby the latter obtain bank loans against NRI deposits. For the 'facility' of using the NRI deposits as security, the companies pay the depositors a 2% premium above the interest paid by the bank. A clutch of brokers has emerged which specialises in fixing such deals between Indian companies and the NRIs. And since the amounts involved are sizeable, the NRIs make quite a packet on these transactions.

The second practice that has come to light involves shifty arbitrage deals by foreign banks. Taking advantage of the fact that international interest rates (Libor, for instance) sometimes dip below the rates paid on non-resident external accounts, these banks borrow money abroad to invest in India. Using NRIs as fronts, the banks invest cheap international money in Indian NRI accounts to earn higher interest rates. The interest rate differential is divided between the NRIs and the banks. Both clean up substantially in the bargain.

Clearly, these are but two methods of exploiting legal loopholes to make money. The more important question is: when will the loopholes be plugged?

ROW OVER TELECOM FINANCE CORPN.

Inter-ministerial wrangling has claimed one more victim: the proposed telecom finance corporation. While the finance ministry doesn't want the corporation to be formed, the telecom ministry is working overtime to set it up.



VENKITARAMANAN SAYS NO

The finance ministry is using the-time-is-not-yet-ripe argument to oppose the new corporation. S. Venkitaramanan, the finance secretary, maintains that there exist enough mechanisms to fund telecom sector projects. For instance, MTNL has been raising resources through public bond issues.

D.K. Sangal, the erstwhile telecommunications secretary, disagrees. He insists that a new institution would enable the telecom sector to tap the market more effectively. Apart from taking over the task of issuing bonds, it could also invite public deposits and arrange private placement of debentures with financial institutions.

The finance ministry has promised to take one more look at the proposal. But there is only a slender chance that it will change its mind.

FICCI SEEKS INTEREST RATES CUT

The Federation of Indian Chambers of Commerce and Industry (Ficci) has asked the government to lower interest rates on loans made to industry. In a study titled *The Impact of Interest Rates in India*, Ficci has empirically demonstrated that the lowering of interest rates would go a long way towards improving productivity, investment and growth.

The study points out that while most industrially advanced nations charge interest rates below 10%, Indian banks demand a hefty 16.5%. A reduction in interest rates by even a single percentage point — particularly on bank advances and loans from financial institutions — would help bring down prices by 1.1%, the study suggests.

The study should buttress Ficci's claim to be the sole champion of industry's interests in its ding-dong battle for supremacy with Assocham.

MORGAN TO MANAGE A-I FUNDS

Morgan Guaranty, the American bank which recently helped Mexico launch its 'debt bonds,' is going places in India. Its most recent success is a government mandate permitting it to manage Air-India's (A-I) foreign currency resources.

The SBI's merchant banking subsidiary, SBI Capital Markets, will assist Morgan Guaranty in managing A-I funds.

The airline earns an annual operating revenue of around Rs. 1,000 crores, much of it received in foreign exchange. With better management, the government estimates that Rs. 20 crores could be saved.

Currency fluctuations alone have played much havoc with A-I's finances. A case in point is the devaluation of the naira, the Nigerian currency. India had the equivalent of Rs. 80 crores in Nigeria, and lost around Rs. 15 crores as a result of the devaluation. Hopefully, once Morgan Guaranty and SBI Capital Markets start doing their stuff, such losses will be minimised.

NRIs INVEST MORE

Non-resident Indian participation in Indian industry is growing.

In 1982-83, an investment scheme was introduced under which NRIs as well as companies owned by them to the extent of 60% could invest in new issues of new or existing companies with full benefits of repatriation of capital and the income earned. The amount invested under this scheme increased to 10% (Rs. 1,028.96 crores) of the total investment by NRIs in 1987-88. It was a paltry 3% or Rs. 59.63 crores in 1982-83.

Deposits in Indian companies have emerged as another favourite investment for NRIs. NRI investment in company deposits stood at Rs. 26.40 crores at the end of 1987, *cf.* about Rs. 10 crores in 1985-86. Investing in shares is also popular with the NRIs.

However, the growth rate in NRI investments is declining. It increased by 48% in 1985-86, but fell to 43% in 1986-87 and is likely to tumble further in 1987-88.

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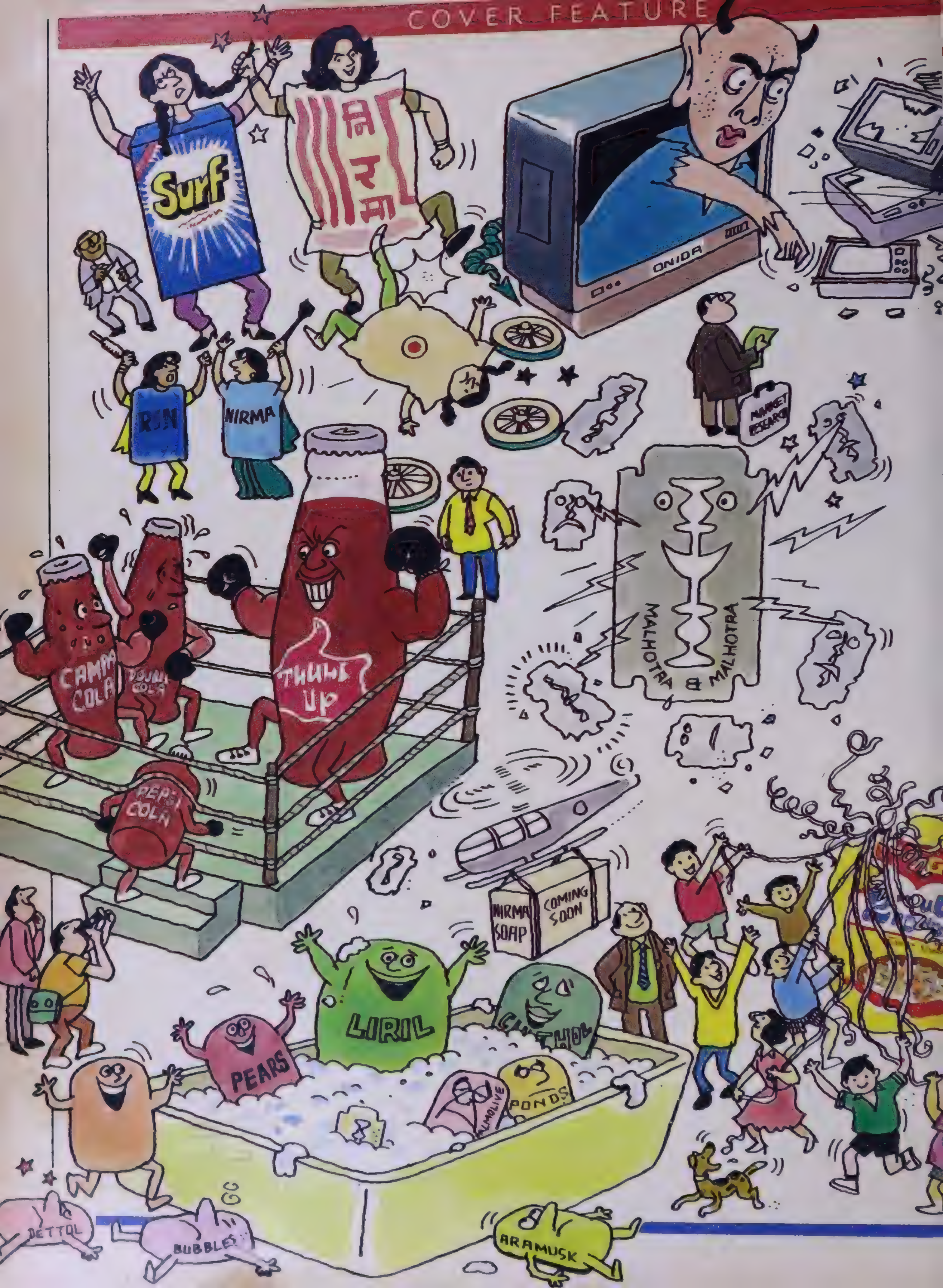
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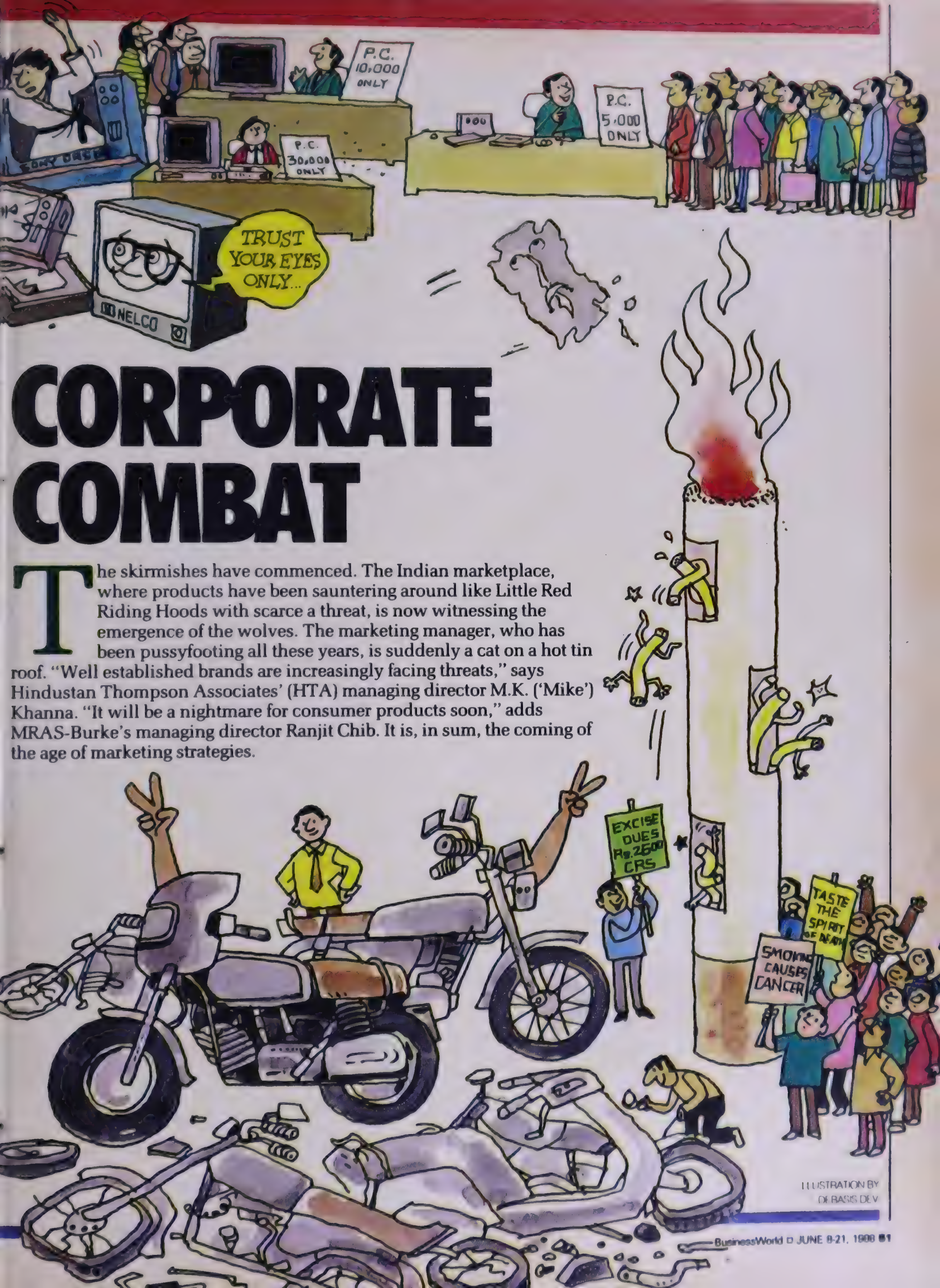
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CORPORATE COMBAT

The skirmishes have commenced. The Indian marketplace, where products have been sauntering around like Little Red Riding Hoods with scarce a threat, is now witnessing the emergence of the wolves. The marketing manager, who has been pussyfooting all these years, is suddenly a cat on a hot tin roof. "Well established brands are increasingly facing threats," says Hindustan Thompson Associates' (HTA) managing director M.K. ('Mike') Khanna. "It will be a nightmare for consumer products soon," adds MRAS-Burke's managing director Ranjit Chib. It is, in sum, the coming of the age of marketing strategies.

ILLUSTRATION BY
DEBASIS DEV

As long as every home has a bathroom

ere will be Parrys.

"Want to wash up?"
Familiar words. But what may not be as familiar is Parrys' contribution.

Parrys' forays into ceramics were as early as 1906 when the Pottery Division was started to manufacture acid jars. In 1952 Parrys pioneered sanitaryware. And in 1960 introduced in India, the Royal Doulton (U.K.) range. Today, Parrys is the first name in quality sanitaryware. Its position is restated with the innovative 'Cascade' range. Made in collaboration with IFO Sanitar AB, Sweden, it uses just 5 litres of water instead of the conventional 12. A timely product in these days of water scarcity.

The next time you enter a more elegant bathroom, its very likely you'll find the name 'Parryware'.

But then, would you expect any less from a name like Parrys?

It was set up by Thomas Parry as a small trading company in 1788. 200 years later, it is a diverse, dynamic group. The group's activities include sugar, fertilisers, ceramics, confectionery, chemicals, precision tools, electronic connectors, marketing of sophisticated medical equipment, engineering and consumer goods, shipping and travel.

Parrys: a group with a resilient past. And a dynamic future: a future for which it is investing Rs.200 crores.

PARRYS
200 YEARS

Into the future with a bold new thrust.

Artig/EIDC/033/88

Earlier only the multinational subsidiaries went in for market research and that too under pressure from their parent companies. Now there is a genuine need. Even people like the Modis, who would never have thought of research earlier, are going in for it.
Ranjit Chib,
chairman and managing director,
MRAS-Burke

The corporate world is girding itself for combat. Some are digging in, defending well-entrenched positions. Others are taking the war to the enemy camp. What was once a sheltered and sedentary world has exploded into blood and thunder action.

There is a lot of thud and blunder too. Product failures are becoming common. Crores in advertising rupees have left companies with nothing to show but stocks which just won't sell. Today a packet of the much-vaunted Ju-C, a Kothari General Foods product, is being offered free with each one you buy. The bog offer (marketing jargon for such a gambit) is a sign that the product has given up its ghost. Pond's toothpaste is being doled out with Brooke Bond tea. And the Supermums and the Apellas, the Palomas and the Bubbles have quietly faded from the scene after a noisy entry.

What is remarkable today is not so much the battle in the marketplace as the fact that it is extending to most product categories. Two-wheeler manufacturers never had to advertise earlier; now Bajaj is swamping the media. Magazines quietly plodded along, but even clear leaders like *India Today* are coming out with front-page advertisements in national dailies. Salt and pepper, sugar and spices are all claiming ad budgets today.

Markets which have long had clear leaders are experiencing the arrival of brash challengers. In toothpastes, where Colgate reigns supreme, Pond's decided to go in for a frontal attack. "We're going to attack Colgate," said the marketing men. The others in the field, like Cibaca and Promise, were not deemed worthy of notice. All stockists were called down to the Madras headquarters and fatted and feted. An action plan was drawn up and advertising went into top gear.

It bombed. What Pond's had done was to ignore all the principles of a direct offensive. To start with, the product was not superior. "Our market research told us that the consumer wanted a Colgate-type toothpaste," says Pond's executive vice-president C.B.N. Reddy. "So we gave him one."

Pond's also disregarded the principle of superiority of the attacking forces. "If you want to match Colgate, you have to match it rupee for rupee," says Reddy. "You need that to get just a 10% market share. Our advertising budget wasn't enough, we just couldn't afford it." Besides, if its earlier successful sally into soaps had been a logical line extension, this was not. Pond's perceived strengths are in perfume, recognised as a feature of soaps but hardly toothpaste, where taste is a key criterion.

To top it all, the packaging was absurd. "If this pack succeeds it will shake my confidence in marketing as a science," said the chief executive of a rival manufacturer when Pond's launched its toothpaste. True to his expectations, the "effeminate" toothpaste went the way of all flesh, though faster than most. "It is not a growth product," says Reddy. "It has reached the maturity stage before having a growth phase." An apt epitaph.

SUBSIDIARY DISASTERS

There were subsidiary disaster stories too. Pond's launched a toothbrush. Instead of opting for the premium end (which a company with its reputation should have done) Pond's went into the commodity end. There was an even more serious miscalculation: the company offered an 18% retail margin when competitors were giving 30%. Like its later toothpowder misadventure, executives would like to brush this too under the carpet.

Where Pond's came a cropper, others have fared better. Promise, a Balsara product, made it to the big league almost willynilly. Colgate had initially ignored it, but there were later protests that the packaging was too similar. Promise had to use a clove oil motif and this turned out to be a USP (unique selling proposition).

There were other factors working for it. Hindustan Ciba-Geigy had a prolonged strike and Binaca was not available for one-and-a-half years. Besides, Promise bagged an early 1,000 tonne order from the Soviet Union and it pumped most of the money back into advertising.

The market is due for another shake-up soon. "In July we will see some fun," says Reddy. "Nirma is planning to launch a Rs.10 toothpaste against Rs. 15 for Colgate." Nirma's sortie in this arena (toothpaste like sanitary napkins, cigarettes and soft drinks commands a high degree of brand loyalty) is a fight worth waiting for.

Even in the areas where there has

There will be more segmentation, more pre-launch testing because of the high entry cost, and more promotions because of the increased media costs. A greater chunk of the marketing rupee will be spent on retailing.
Ramesh Thadani,
general manager, IMRB

always been competition, the battles have become more vicious. Consider, for instance, detergents where the knives have been unsheathed for many a year now. "The structure of the market has not changed," says Siddhartha ('Shunu') Sen, vice president of Hindustan Lever. "But the techniques have. There is a move from mass distribution to mass communication. Today, thanks to TV, the frequency of mass contact is much higher."

Sen should know. He is currently spearheading Levers' response to the Nirma challenge, one of the biggest marketing successes of the eighties, which caught the multinational with its pants down.

But Levers has been fighting it out over the years. Detergents actually became popular when ICI introduced synthetic fabrics in the early sixties. The two in the race then were Sway (manufactured by Swastik of the Ambalal Sarabhai group) and Surf (Levers). Both were in the same premium price range and had similar advertising messages. "Swastik was the market leader," admits Sen.

The eighties will go down as the decade of greater choice, greater efficiency and greater cost of failure. Things will happen faster. The difference between good and not-so-good managements will become evident.
Siddhartha Sen,
vice-president,
Hindustan Lever

Then came the bucket wars. Plastic buckets were still a novelty item. Sway announced a promotion scheme wherein a certain number of its empty packets could be exchanged for a free bucket. Interest and sales zoomed. Advantage, Sway.

Levers was quick off the mark. It conducted a market survey of plastic bucket manufacturers and promptly went and bought up all supplies. The result: when housewives went to claim free buckets they were told that no stocks were available. They were disillusioned, so were the retailers, and Sway just faded away. It was game, set and match to Levers in the end.

The seventies saw the rise and fall of Point, a product from Karnataka Soaps and Detergents. In quick time it captured a 15%-16% market share. But lack of consistent thinking, dichotomy in advertising messages and an aggressive push strategy from Hindustan Levers' Surf soon relegated it to oblivion.

Then came the real challenger for the crown — Nirma. In a textbook flanking attack, it introduced a much cheaper detergent and grabbed the lower (or mass) end of the market. In vain did Levers go in for competitive advertising extolling the superior quality of Surf. "Today people want value-for-money products," says Khanna of HTA. Nirma reigned supreme.

THE ONE-EYED GOD

If there is any one factor behind the arrival of the era of cutthroat competition, it is television. Insidiously, the medium has wormed its way into all our lives. "It has changed our whole lifestyle," says Jatinder Sethi, director of Artig.

The figures say it all. There are about 14 million TV sets in the country today. (Projections for 1990 are 18.5 million.) With an average viewership of five per set, it means that the TV message is reaching nearly 70 million people every day. "It is instant communication," says Hindustan Lever vice-president Shunu Sen.

On the marketing level, it has made a major difference. Where, earlier, one had to depend on radio, cinema and the print media to reach out to the consumer, it can now be done more quickly and efficiently through television. The costs are much higher (a 20 second spot means a bill of Rs. 1.4 lakhs) and Doordarshan is planning further hikes, but the benefits are greater too. Today it is possible to launch a nationwide brand in next to no time. Pan Parag has done it. So have many others.

Simple message. The successes are those who have kept the message simple. "There is no glamour puss in the Nirma ads," says Jagdish Chopra, senior vice-president of Voltas. "It is a catchy jingle and an appeal to the middle-class housewife."

But the major change TV has brought about is not in marketing strategies but in lifestyle. We are no longer what we used to be. "People are prepared to accept all kinds of things now," says Sethi. In hundreds of households all over the country traditional patterns are being broken, new habits are developing, new products are becoming acceptable.

"It may be negative or positive," says Sethi. "But no one can deny that there has been a change." The idiot box has us all in its thrall.

Join the Envoys Club
Ambassador from Bata

The story doesn't end there. Levers introduced Sunlight detergent powder in polythene satchets. But this too was priced higher than Nirma. Even Surf had a new incarnation in such satchets, but the Nirma juggernaut was unstoppable.

Finally, Levers has decided to fight Nirma on the latter's home-ground. If price is the key factor, well, Levers too can descend to that level. Wheel, a green detergent cake which met with poor response when it was earlier marketed in Tamil Nadu, is being relaunched with greater gusto. In a logical line extension, there will also be a green detergent powder by the same name.

Wheel, which is in the Nirma price bracket, thus takes on the latter in a direct attack, the flanks already guarded by Surf and Sunlight. Currently being sold in select areas, it has chalked up some success. In Madhya Pradesh, for instance, Wheel powder already has a 30% market share. A battle royale is evidently on the cards.

But there are some who doubt if this is quite the right strategy. "Levers is known for its quality products," says Jagdish Chopra, senior vice-president of Voltas. "What is it doing at the lower end of the market? You can't have two sets of corporate philosophies."

Giving an example from nearer home, Chopra says that when he joined Voltas (after a long stint at Levers) he was asked to explore the possibility of manufacturing a cheap air-conditioner. "But I just couldn't do that. Our technical and sales people were geared to quality. Even if we manufactured a cheap air-conditioner, we wouldn't know how to sell it." The idea was dropped and today both the Voltas air-conditioner and refrigerator are priced much higher than the competition. They are premium products and they sell.

DEFENDING NICHES

That, again, is another of the strategies which many companies have been trying to adopt: find an upper end niche and defend it strongly. "Research showed us that when a person is buying a consumer durable he does not mind paying Rs. 500 to Rs. 1,000 extra," says Chib of MRAS-Burke. "For Voltas we did extensive surveys. We found out what the customer wanted and the refrigerator was designed accordingly. We also discovered that the customer would be willing to pay more. The same is true of Onida TV."

Onida is a victory for effective marketing strategies in an extremely competitive arena. The product was properly positioned and the slogan "Neighbour's envy. Owner's pride" captured both imagination and sales. Competitors, whether they envy the TV or not, certainly envy the campaign.

And everyone in the colour TV market is pushing positioning as best they can. "We have positioned ourselves at the upper end of the market," says Partap Lalwani of Binatone Electronics. "The emphasis is on quality." Nelco, which has the Blue Diamond range, has gone one better. "We have priced our model Rs. 200 more than Onida," says Zal Engineer, divisional manager in charge of televisions. "It was a deliberate decision." Evidently, a higher price tag appeals to the status conscious.

In the future, market segmentation will have to be based on a much deeper understanding of the consumer. We will see the growth of lifestyle segmentation. The individual consumer has become much more sophisticated and demanding.
Mike Khanna,
managing director,
HTA

At the other end — B&W TVs — the market is extremely fragmented. There are more than 150 companies and, in the absence of significant product differences, positioning cannot pay off. The name of the game here is trade promotion. The offers to the dealers are mind-boggling: Standard 2000s, paid holiday trips to Goa for the family, junkets to hotspots like Bangkok and Pattaya (family members, especially wives, not included in this case), cash prizes and what have you.

"In a competitive market such schemes are essential and are practised the world over," says managing director of Weston Electroniks Sunder Vachani. Weston's sales did improve after such gifts were offered. Not everybody agrees with Vachani's stand. "These gimmicks do not pay off," says Indian TV Manufacturers' Association president S.R. Jiwarajka. "It is usually followed by downmarket companies." Unfortunately, once somebody has set the ball rolling, others have to fall in line or see their products as perpetual fixtures on the shelves.

UNDIFFERENTIATED PRODUCTS

The TV experience is likely to be revisted in the EPABX market where dozens of companies have come out with undifferentiated products. The advertising today seems to consist of saying: "Hi, we're around too." There is not even much of an effort to cash in on the company's reputation even though some big names like Bhel, Crompton Greaves, Escorts and Nelco have entered the fray. This is a battlefield which will be piled up with a lot of cadavers soon.

But the arena that is really littered with corpses is toilet soaps. "Dozens of soaps get launched and are unheard of soon," says Khanna of HTA. "The failure rate is highest in this area." There are reasons for this. First, there is a tremendous degree of novelty purchase in soaps. They are thus easy to launch but difficult to sustain. Secondly, many companies get the soap manufactured by units like Godrej Soaps, which means the initial investment is minimal.

There is a flurry currently in the market, thanks mainly to Nirma's threatened entry. Godrej has launched Vigil. Levers too has recently brought in Breeze and Lifebuoy Personal to cover all the price gaps in its existing product range. Obviously, it does not want a repeat of the detergent story

Toilet soaps actually got a boost in 1981-82 when they were delicensed

THE MEGATRENDS

It has been a decade of change, a decade in which time suddenly caught up with the Indian marketplace. Marketing has come out of the closet and brought in its wake a host of new techniques. "It used to take five years for a product launched in the US to filter down to India," says Ramesh Thadani, general manager of IMRB. "Today it is just six months to one year."

The forces of change have been spurred on by the liberalisations of the Rajiv era, the arrival of television as an all-powerful medium, the increase in disposable incomes and the emergence of the sophisticated consumer.

One of the key changes has been the increased emphasis on market research (MR). "Earlier, even when companies went in for MR they didn't use it," says Ranjit Chib, chairman and managing director of MRAS-Burke. "We researched No More Tears shampoo for Johnson & Johnson. We told them it wouldn't work; don't launch it. They went ahead and, as expected, it flopped. Again, we tested out Ambi cream for Nicholas Laboratories. That was a Rs. 1 crore launch, against our advice, which was a disaster." But with launch costs ever on the rise, people can no longer afford to make costly mistakes.

Tremendous focus. "There is a tremendous focus on MR," says C.B.N. Reddy, executive vice-president of Pond's India. "Our MR expenses have quadrupled in the past three years and are likely to quadruple in the next three years. We need a lot more information on the customer." Adds Thadani: "In the past four years, the growth in MR business has been more than 30% in value terms."

Hand-in-hand has come a boom in public relations (PR). Most advertising outfits are spinning off PR units and the big names internationally (Burston & Marstell, Hill & Knowlton and Ogilvy & Mather to name a few) have all acquired a local incarnation. "When we began in 1986 we didn't really realise how much we could do," says T.C. Ajit, general manager of Ogilvy & Mather Public Relations, the first PR outfit in the country. "The scope is limitless. The in-house publicity managers seem to have done just that, stayed at home. Only now are they discovering what PR is all about," adds Ajit.

Direct Marketing too is slowly creeping in on the scene. Ogilvy & Mather Direct has been flagged off in Bangalore, MAA Communications has launched its Corporate Voice Direct and others are quickly getting into the act. O&M Direct already numbers the Welcome Group, Modi Xerox and Computer Point among its clients.

Franchising is also finally finding its place in the sun. It has been around in soft drinks for a long time now but in the eighties it is spreading its tentacles to other areas. Computer Point already has three franchisees and is looking for more. Fashionsport India, which has tied up with Playboy, is planning a nationwide chain of franchised bunny boutiques, and fastfoods and garments are getting into the act.

It has also been the decade of the branded commodity. Earlier, Voltas had come out with a range of spices under the Volita brandname but they had to be withdrawn soon. Now, however, Sohna basmati rice, Catch salt and pepper and even Salem utensils from the Steel Authority of India are all fighting for shelf space. And succeeding too.

Public relations plays an important role in creating an ambience. It is a third party recommendation. If you buy ad space you can write bullshit. Editorial matter is much more believable.

T.C. Ajit,
general manager,
Ogilvy & Mather Public Relations

It is in the eighties that the Indian entrepreneur is coming into his own. Rasna and Nirma are the much talked of success stories. But in a smaller way others have carved out a niche for themselves in many markets. "These are the people who can feel the pulse of the Indian people," says Jatinder Sethi, director of Artig. "Some of the largest spenders on advertising are the Indian entrepreneurs. Tomorrow's market belongs to them."

Gut-feeling approach. And even in an era when advanced techniques are becoming a must, their gut-feeling approach is still working. "MR told me that there was no scope to set up a courier service," says Dilip Kulkarni, president of Skypack. He went ahead and it worked. Photophone Industries chairman Abdullah Fazalbhoy also ignored MR findings that there was no market for a sleek, small easy-to-use camera. Hot Shot shot off to record sales. "This first generation Indian entrepreneur is prepared to take risks," says Mike Khanna, managing director of HTA. "He may not understand all the processes involved in marketing and advertising, but he has faith." Adds Sethi: "They don't have marketing skills. But they have realised the power of advertising. It is a pull strategy rather than a push strategy. And they are getting better returns."

Another feature of the decade is the increasing technical excellence in advertising. "We are on a par with the best in the world when you talk in terms of technical excellence," says Khanna. "The gloss and the glitter, the finish — it's all there. Where we still fail, however, is in getting the message across."

But one message seems to have come across to the marketing world: India is no longer the land where time stopped.

and the surcharge on excise was removed. Till then Liril had held sway at the premium end. Then Pond's decided to get into the act with its Dreamflower. "We made the maximum noise among soaps in that category," says Reddy of Pond's. "Others had to push up their budgets too." Dreamflower picked up a 11.5% market share in no time.

The me-toos were soon clamouring for attention. Godrej, which had been manufacturing Pond's soap anyway, felt it could well go batting on its own. Along came Crowning Glory, Marvel, Fresca, Fay and a New Cinthol which have now catapulted Godrej into the largest selling premium soap company in the country.

The saga of Cinthol has much in common with the Coca-Cola Classic fiasco. It was positioned as a deodorant. Then the marketing whizkids decided that the deodorant concept was too esoteric. (Incidentally, Levers had once toyed with the idea of launching an anti-plaque toothpaste but gave up the idea when they discovered that only three people out of a thousand knew what plaque was.) So, along came a sleeker soap, with more perfume and better packaging. It clicked. But there were cries of outrage from the devotees of the earlier Cinthol and the company was forced to relaunch that. So today both brands nestle together in shop displays.

ILL-FATED VENTURES

The soap market, because of the multiplicity of players, is a high pressure area where only the fittest survive. Some victims sink all by themselves. Take Aramusk, Shaw Wallace's ill-fated venture. The Rs. 45 lakh media campaign won awards galore but the product had to be withdrawn in just one year.

"We wanted to create a new segment in a cluttered market," says Utpal Ganguli, divisional manager of the Shaw Wallace consumer products division. "The idea was to create a range of upmarket men's toiletries with the designer image. As a start-up point we chose a musk soap." (As it happens others have met their Waterloo in this arena: the English Leather range of the J.B. Advani group is being demarketed and Park Avenue (Raymonds) has received a low key initial response.)

But why did Aramusk fail? Ganguli puts it down to the high price, weak distribution channels and uncertainties within the company. Shaw Wallace is relaunching the soap (which in today's world means at least Rs. 1 crore in advertising). The price and product are the same so the company is paying through its nose in the quest for the macho male. Does the niche really exist?

There are countless other examples: Montage from Burroughs Wellcome, Super Fresh from Eskayef, Bangalore, and Clearasil from the now Proctor & Gamble (India). Clearasil is a prime example of ridiculous line extension. An anti-pimple cream is all very fine but would anybody buy an anti-pimple toilet soap? Or take Sundance from Shaw Wallace. With a message like "Don't just bathe, Sundance," the consumer would have to have a touch of the sun to buy it.

One company which has found a lucrative niche is Johnson & Johnson. It is the clear leader in the baby soaps market where the margins are phenomenal. A baby soap sells for Rs. 13.95 against Rs. 8.80 for a Pears soap. Pond's has also been nibbling away at the same niche. It has come out with a soap shaped like a bear, and a babypowder and is aspiring for a 20% share of the Rs. 10 crore market. "Research has shown that mothers in India tend to pamper their children," says Pranesh Mishra who heads Pathfinders, the market research wing of Lintas. "Expense is not the problem."

A company which realised this earlier, but failed nevertheless, is Wipro. It launched Bubbles, a toilet soap positioned for children. The trial rate was very good and everybody predicted success. But Tomco, which had a detergent cake named Dubble, took Wipro to court. The judge ruled that the names were too similar and the bubble burst.

Guerilla tactics such as this are all part of the game. Johnson & Johnson and Christine Hoden, for instance, have been fighting a legal battle over the similarity of their respective sanitary napkin brandnames "Carefree" and "Stayfree" for the past 16 years. Hoden, in a pre-emptive move, has even launched an "Always" which is Proctor & Gamble's worldwide brand. The Monopolies & Restrictive Trade Practices Commission (MRTPC) has become a key element of the defence strategy of many companies today. Burroughs' Wellcome had to drop its Ridake campaign, Rothmans had to give up its claimed foreign credentials, Levers is in trouble with its Fair & Lovely fairness cream advertising and a host of other companies have been likewise harried by their competitors working through the MRTPC.

CUT-THROAT TACTICS

What is not part of the game, even though widely deployed, are the cut-throat tactics of the blade market. This is the fiefdom of the Malhotras and to date they have managed to strangle competition at the starting post itself. First, their no-holds-barred reputation itself keeps away aspirants. Second, they have created a very effective barrier to entry by letting margins remain very low. The ratio of profit after tax to sales is a mere 1.12%. If you want to match the Malhotras in price, the returns will be equally low.

What we are all fighting for is a share of the customer's mind... In the future what will become critical is positioning. Market research will become more important. The cost of the entry ticket in most consumer markets is so high that if you fail you are in real trouble.

Tarun Gupta,
senior vice-president, marketing,
Burroughs Wellcome

But competition has taken its chances, nevertheless. Brooke Bond, Escorts, Levers and Union Carbide have all jumped in only to retire licking their wounds. But now more determined challengers are making their presence felt. The current crop consists of Indian Shaving Products with Gillette technology and Wiltech with Wilkinson knowhow.

Wiltech has been first off the mark. But no sooner had it hit the media with its Savage brand and a single wild horse as the motif, the Malhotras countered with Gallant. The latter had two wild horses. "But our company has not only survived, it has grown in spite of the tough competition from the Malhotras," says Wiltech India president D.R. Mehta. "We have built up a strong quality image and we will continue to exploit it." But the bottomline does not reflect this optimism — in 1985-86 there was still a Rs. 28.5 lakh loss.

Wiltech's main problem is that it does not have any low priced products like carbon blades. Besides, say industry watchers, it has sometimes been at the end of below-the-belt attacks.

The blade industry is well-known for such tactics. For instance, when a company found a drop in repeat purchases, investigations found that the blades they had originally supplied had been dipped in salt water, repacked and pumped back into the market. Obviously consumers thought ill of the stuff they bought. Another company found that volumes of its stock had been bought up and sold at lower prices to the retailers. So when company salesmen did their rounds, they found no takers at the higher prices.

It will get a little bit tougher soon but the markets are expanding. Besides, people in India are used to a shortage economy. We don't complain, we accept everything philosophically. The consumer here is not as demanding as in the West.
Jagdish Chopra,
senior vice-president,
Voltas

Equally aggressive has been Parle, the leader in the soft drinks industry. In a replay of the bucket wars, Parle is reported to have once even bought up all the available bottles when a competitor was planning a new launch. As for its attempts to block Pepsi's entry, enough has been written about it everywhere, making repetition here redundant.

Parle has also reacted very strongly to the Double Cola challenge. It has changed both advertising agency and campaign. Its new "Taste the thunder" appeal was flagged off with a one-minute TV spot. The tab for that alone: Rs. 4.2 lakhs.

Double Cola, on its part, has weathered the strike last year. The strike is another example of the success of guerilla warfare. It was prompted by the Bharatiya Kamgar Sena's insistence that the distributors' contractors, who have traditionally worked on a commission basis for all soft drink manufacturers, be absorbed by Double Cola as regular employees. Quaintly, the Sena, which also rules the roast at Parle, made no such demands there.

The Double Cola advertising line is a textbook example of repositioning the competition. With its slogan "The all American cola," it has relegated all other Indian colas to the status of local stuff. Double Cola has made some headway but not much. The reason: while Pepsi or Coke could have got away with the campaign as they are well-known, Double Cola was unheard of before its entry.

The soft drinks industry has seen both smash successes and failures. Traditionally, orange drinks are targeted at women and children. But, in 1986, Gold Spot decided to strike a new path — it became 'The Zing Thing.' Sales spurted.

DECADE'S DUD

At the other end of the spectrum are Double Seven, which was gasping for survival along with the Janata, and the dud of the decade — Apella. The latter was an apple-based drink launched by Hindustan Cocoa Products. The advertising left the product in limbo — it was neither fish nor fowl, neither a health drink nor a fun drink. (For the record, the campaign picked up most of the major awards, but then the marketing world does not measure the effectiveness of a campaign by its results.)

Apella was a Rs. 1 crore disaster. Thankfully, the company managed to sell off its manufacturing facility which would otherwise have set it back by another Rs. 2.5 crores. By contrast, Parle's 'Appy and the Himachal Pradesh government's outlets selling apple juice at railway stations are both doing reasonably well. "Most of the multinationals talk of segmentation, positioning and market research," says Jatinder Sethi, director of Artig Advertising, an offshoot of Ogilvy, Benson & Mather. "But they don't know what they are doing."

The soft drinks market is rapidly acquiring more players. In tetrapack soft drinks, Lipton's Tree Top has currently taken the Delhi market by storm. It has given hefty incentives to dealers which, in turn, has made Parle's Frooti fall in line. In the process Volfruit (Voltas) and Great Shake (of Noble Soya), which were also-rans anyway, have been rudely elbowed off the shelves.

Volfruit, thanks to the company's lackadaisical approach, never stood much of a chance anyway. Great Shake, on the other hand, is building up as another of the major disasters of the eighties. "Anything that people consume has to be tasty," says senior vice-president (marketing) of Burroughs Wellcome, Tarun Gupta. "The soya element in Great Shake just wasn't. It had the soya after-taste. Also, the name Great Shake was too light-hearted — this cannot be a fun product." Add to this the fact that the company juggled with the formula after test-marketing, and it has all the makings of a self-instituted calamity.

Two areas witnessing greater shake-ups and a lot of price skirmishing in the eighties are copiers and personal computers (PCs). In the former, many companies have been playing jack-in-the-box — getting in and getting out just as quickly. The reason: all of them were screwdriver outfits who milched the market for what it could bear. "It was a perfect skimming-the-market strategy," says Indian Market Research Bureau managing director Ramesh Thadani.

What changed the scenario was the arrival of Modi Xerox, the first large-scale copier manufacturer. Faced with this impending presence, the screwdriver crew resorted to desperate price cutting to get rid of stocks. Today, there seems to be peace on this front.

SATISFYING CUSTOMERS

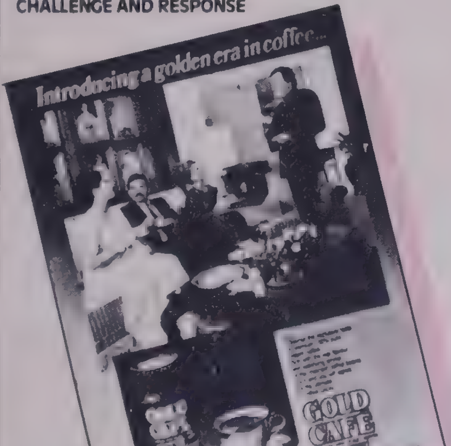
Modi Xerox, on its part, has adopted the tried and tested strategies of Rank Xerox of the US. It has set up a Team Xerox, whose principal job is to take care of servicing problems. "The strategy is to keep our customers satisfied even after purchase," says Modi Xerox managing director B.K. Modi. But behind the hype what it means is that once a customer is hooked he stays that way. In its ideal form this involves a low initial cost (for the machine) and high servicing charges.

In the PC price war, there are overtones of comedy. Sparked off by Sterling Electronics (manufacturers of the Siva model) it soon found everybody clamouring that his was the cheapest PC around. What even the fine print did not mention was that each price cut announced was accompanied by the removal of a vital feature. First went the printer, then the warranty period... Taken to its logical conclusion, only the empty shell would have been left, but the war was called off halfway. Who gained? All the manufacturers actually. There were many seduced by the price cut offers before the penny dropped.

But there has been a more genuine war in some other durables. The two-wheeler industry has been rocked by competition. Advertising budgets have been stepped up and even Bajaj, with sales of its Bajaj Kawasaki showing no signs of taking off, has resorted to price cutting. "There is no way they can survive at those prices," says a Hero Honda executive. "They are probably subsidising it from the sales of other models."

All new companies and even established companies are trying to use advanced marketing techniques to see that their brands succeed. The cost of a flop is much higher today than in the seventies. This is going to create a barrier to entry in the nineties because the cost is getting prohibitive.
C.B.N. Reddy,
executive vice-president, Pond's India

CHALLENGE AND RESPONSE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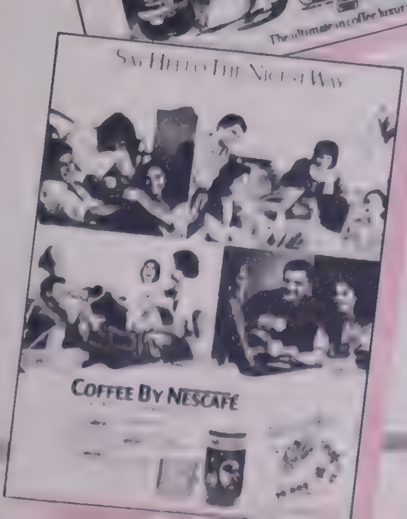


"What it boils down to is hardcore selling — from now on we will have to go out and get customers," says Enfield India joint managing director S. Lakshman. "Not all products will stand the test of time," adds Bajaj Auto general manager (marketing) Arun Pande. The casualty list is mounting: among others Shree Chamundi Mopeds has downed shutters, Kinetic Honda has slashed prices by 25%. Andhra Pradesh Scooters is working at a quarter of capacity and Scooters India seems unlikely to surface again.

Even in automobiles, there has been a rapid shift to a buyers' market. Hindustan Motors and Premier Auto will soon find their new models millstones around their necks when Maruti comes out with its 1000 cc and 1200 cc models. Even the ubiquitous Maruti has had to shift to a marketing mode. Both the Omni van and the four-wheel drive Gypsy have found few takers, despite the government strong arming public sector institutions into placing orders for the latter. A sign of changing times.

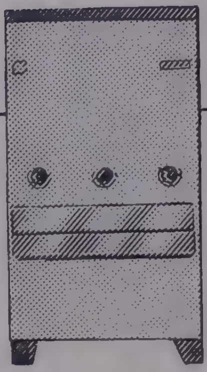
QUARTZ TIMES

Changing times will also be taking their toll in the watch industry. "I believe that competition in the quartz watch market will hot up in two to three years' time," says K.S. Gergan, executive director of HMT's watch division. The reason: everybody is getting into the business.

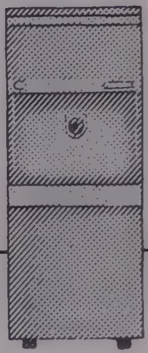
Hyderabad Allwyn is currently the market leader. Now HMT is entering the field in a big way. "We have stopped all investment in mechanical watches," says Gergan. The company does make quartz watches but projections for 1988-89 put production at 6 lakh watches out of a total of 70 lakhs.

Besides, the Tatas' Titan has also entered the fray. Says Raj Halbe, marketing executive, Titan Watches: "We expect sales of 4 lakh watches in the year ending June 1988." Titan is already in trouble. Market reports say that the company is giving dealers as much as 25% discount and is also offering them free trips to Switzerland for meeting sales targets. "This is not the right strategy," says a rival manufacturer. "Dealers will always demand it as their right." Another

Before you decide which water cooler to buy consider this:

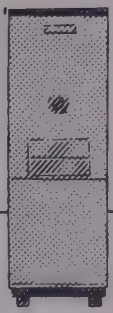


VOLTAS
for reliability



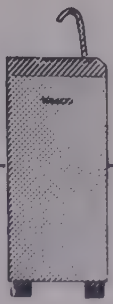
VOLTAS
for good looks

VOLTAS
for after-sales service



VOLTAS
for easier maintenance

VOLTAS



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Bangalore firm, Bifora, is on its last legs. It is even offering its watches to its advertising agency in lieu of cash.

All this provides the setting for more full-blown marketing warfare tomorrow. But elsewhere the battle has already begun. In Delhi, Gold Cafe, an Indodan Industries product, has launched an all out assault on Nescafe, the long-entrenched best-seller from Food Specialities Ltd. (FSL).

"It is a great pleasure for me that Gold Cafe has won a seemingly unequal battle against Nescafe," crows Indodan chairman H.S. Jalan. "I intend to better this besting of multinationals."

That may be an exaggeration but Gold Cafe seems to have jolted FSL all right. "FSL has been slow to react," says Mishra of Pathfinders. "Trial has already taken place."

But the food products giant has reacted. It has launched a "Take a Cool Break" contest with a first prize of Rs. 1 lakh. (When it swamped Brooke Bond's Brooke House a few years ago the Nescheque contest had a prize amount 10 times as much.) Besides, all FSL outlets in Delhi are now giving away free cups of coffee.

But Jalan obviously thinks he is on a good wicket. The product is superior, advertising budget of more than Rs. 1 crore should be enough and there is more in the kitty. For Indodan, Gold Cafe's failure will be a body blow and it is likely to leave no stone unturned to achieve success.

There will be a lot of new segments coming up, the rural markets will become important and the distribution channels will have to be upgraded. TV will cease to be attractive for upmarket products. Magazines and video will play a major role.

Pranesh Mishra,
general manager,
Pathfinders

In fast foods, however, FSL still holds sway. Maggi is the clear leader with late entrants like Favy falling flat on their faces. In fact, noodle challengers have a long history of disaster. Soon after Maggi made an appearance, Liptons came out with Supermum. That was another award winning campaign and in time honoured style failed to captivate anybody. But the real battles here are still to come. With All Seasons and Tasty Bite soon entering with a range of fastfood items, the fight for the consumer's stomach (the battle of the bulge!) will commence in earnest.

The other area where strategies and brands have come and gone is cigarettes. Witness, for instance, the then National Tobacco Co. (NTC) launch of Smokette. It was a filter-tipped cigarette which contained turmeric leaf instead of tobacco. As such, there was no excise and the margins were substantial. There are two schools of thought on what the real strategy was. The first holds that Smokette was a serious brand, expected to add substantially to NTC's revenues. The second contends that NTC was strapped for cash and needed to raise money in a hurry. Smokette with its margins could not lose anyway. It didn't. In the short period during which it was on *pan-shop* shelves, it made NTC a goodish bit of money.

Another brand which is still struggling along is Chesterfield. The problem: it is a roasted tobacco cigarette at the premium end. "People associate strong tobacco with Charminar and bidis," says Sethi of Artig. "The pricing decision was wrong."

But the cigarette success of the decade as well as the failure belongs to VST Industries. Charms, launched in 1982, gave the industry one of its first success stories of lifestyle-based promotion. After Charms a lot of advertising in consumer products has swung onto the lifestyle theme. "In a way the strategy lay in concretising customers' fantasies," says Ravi Bhoothalingam, VST managing director.

DISPIRITING EXPERIENCE

If Charms was "The spirit of freedom," Silver Kings was a more dispiriting experience. It flopped badly and had to be withdrawn. Silver Kings was an upmarket brand which failed to live up to its promise. Besides, market research had indicated failure: one more example of management pundits paying for research and then misusing it. But Silver Kings is to be relaunched soon — is a repeat performance in the offing?

Tomorrow will tell. So will it for a number of other products now marking time. In chewing gum and chocolates, fast foods and fertilisers the stage is set for a dog-eat-dog environment. Liberalisation has lowered the barriers to entry but escalating TV time costs have raised the price of the entry ticket. Tomorrow's dogfights will have no losers, the corporate generals who bark up the wrong tree will just fade away. The age of marketing serendipity is over.

■ *Parthasarathi Swami & D. Shivakumar*

(With reports from Sutanu Guru in New Delhi, N. Raghavan in Bangalore, Chandu Nair in Madras and Sujoy Gupta in Calcutta.)

We are witnessing three megatrends in consumer behaviour. They are the shift from the philosophical to the pragmatic; from the ancient to the contemporary; and from the Indian to the Western.

Sattar Khan,
vice-president,
HTA

ATV SHARE TANGLE

How does one eat three pies when only one exists? Ask Dalal Street brokers and the management of ATV Projects India Ltd.

Within a fortnight, in early April, around 10 lakh shares of ATV were shortsold. This amounts to three times the 3.75 lakh shares issued to the Indian public in January. Incidentally, the ATV scrip was listed on the Bombay stock exchange (BSE) on 4th April, and the drama began right away.

More than 100 brokers in Bombay alone were busy shortselling ATV shares. They were aided and abetted by a long list of brokers from places as far as Rajkot, Udaipur and Bangalore. Curiously, there were just two Bombay-based brokers picking up almost all the offerings — Kanti Amtha and Bhagirath Merchant.

And they did a good job of it. Despite unprecedented shortselling, the share price went through the roof. On 4th April, the ATV scrip opened at Rs. 21. By 21st April, it had zoomed to Rs. 52. Inevitably, the BSE suspended trading in the scrip.

Coup of sorts. For the ATV management, it has been a coup of sorts. A spokesman for the company, who requests anonymity, tells the following tale: on 4th April, a group of brokers — the major bear operators — decided to make a killing by shortselling the ATV scrip. And, without possessing any shares, they started offering them. The strategy was simple: shortsell at high prices, start hammering the scrip, when prices crash and genuine investors start selling in panic, buy them back again. In the process, the bears make a killing.

What went wrong? In ATV's case, the management decided to fight back. Through supportive brokers, they kept buying all the shares. The speculators went in for more short selling. What's more, they bought from upcountry markets and unloaded them at BSE. But the management and its 'friends' kept buying. By 21st April, the BSE authorities realised the danger of the situation. Trading was transferred to the spot list. But selling and buying still went on. Trading was finally suspended on 22nd April. By then, almost 10 lakh shares had been shortsold.

The usual course taken after suspension is an auction. But this time, the bear operators were so heavily exposed that an auction would have spelt disaster. After almost another fortnight of haggling, a settlement has been made at Rs. 50 per share. The bears have been bloodied, but have escaped with their necks intact.

Says B.M. Chaturvedi, advisor to the company: "The management decided to cooperate with the stock exchange authorities because insistence on delivery or an auction would have created problems in BSE with repercussions in all the stockmarkets."

So far, so good. But there is another angle to the story. A broker, unwilling to be quoted, levels the same charges at the management of ATV projects. "The ATV management is not a holy cow. Even they are partly responsible for the mess. Why did they buy three times the number of shares available?" Counters Chaturvedi: "First of all the management didn't buy all the shares; they were bought by supportive brokers (sic!). The thing is: our associates had resolved to fight out shortselling this time. And we had no option but to buy the offerings."

Chaturvedi is perhaps correct. But, the ATV affair is not the first time that a management has benefited from speculative share transactions. A recent instance is the case of Garden Silk Mills. According to stockmarket reports, the Garden management made a killing by pushing up share prices and selling them eventually.

Simple calculations. Even in ATV's case, if the management has indeed bought most of the shares, it stands to gain substantially. Simple calculations make that clear. It started buying at Rs. 21 and bought most of the offerings before the price crossed Rs. 45. The final price in Bombay before suspension was Rs. 56. The settlement has been arranged at Rs. 50. Even if one takes an average buying price of Rs. 36 (almost definitely an overestimate), the management has made Rs. 14 per share.

Where does the investor figure in all this? Nowhere. Tangles of the ATV type make a mockery of public pronouncements by the authorities that speculation will be curbed to encourage genuine investors. If speculative brokers are allowed to get away with illegal activities — as they have been in the ATV case — how can exchange authorities expect the market to have credibility? And the ATV fiasco hasn't taught BSE authorities anything, apparently. A repeat drama was being orchestrated with the Bhor Wavelock scrip whose price shot up from Rs. 22 to Rs. 40 in just two days in the last week of May. Trading is on the spot list now.

As for ATV Projects, this is the second company of the little known Chaturvedi group to enter the capital market. The first was Shrishma Fine Chemicals. Apart from this, the group owns a string of small companies. Group turnover is estimated to cross Rs. 60 crores in 1988. It may be poised for higher things, but as far as the BSE is concerned it has certainly made a splash.

■ *Sutanu Guru*

ATV'S MATHURA WORKS

JM FINANCIAL

EYE OF THE STORM

There is a manhunt on for a scapegoat. Associated Cement Companies (ACC), which has so far cast Bombay Dyeing chairman Nusli Wadia as the villain of the piece in its convertible debenture issue drama, has now found another player who can be apportioned a share of the blame. The new target is none other than the company's managers to the issue — JM Financial & Investment Consultancy Services Pvt. Ltd.

"What JM Financial did was not right," says ACC chairman Nani Palkhivala. "They submitted *benami* applications. We were forced to reject them as a matter of principle." So, as is known, out went the applications of Darbari Seth of the Tatas and Nusli Wadia. And, to project an "everything is above board" image, Pallonji Mistry of Shapoorji Pallonji & Co., on whose behalf ACC had been bending every rule in the book, was likewise shown the door.

Which is all very quaint really. JM Financial had been working overtime to rope in buyers for the rights issue which was all set to bomb badly. The company had asked it to do precisely that when news of the poor response started trickling in. "We did approach JM Financial and ask them to ensure success," admits Palkhivala.

So why is the high profile consultancy outfit, which has successfully managed several large issues, on the firing line now? Simple: the ACC management has come in for a chorus of criticism, Wadia has even sued ACC for alleged manipulation, and diversionary tactics such as this could well dilute charges.

Business ethics. JM Financial itself is unwilling to enter the controversy because of business ethics, but its stand is well known. First, it is a perfectly normal practice for a consultancy firm to file an application in its own name even though it is acting for somebody else. This has happened in the past without anybody raising an eyebrow, the difference this time around being that the amounts involved are much larger because JM Financial had to cover a huge amount of undersubscription in a few days' time. Palkhivala agrees that the legal position is unclear as the matter has never been raised in a court of law.

Secondly, the company management was kept informed of the developments. There is some room for doubt on this score for Palkhivala contends that he never knew that JM had approached the Tatas and Wadia until many days after the issue closed on 11th April. But there is evidence to the contrary. Nusli Wadia had actually met Palkhivala in the presence of J.R.D. Tata and discussed his investment. "The final conclusion of our conversation was that you "welcomed" the idea of our applying ... I understand that you even enquired on the 11th morning from JM Financial if we had applied and I personally informed you on the 12th morning at 9 am that we had indeed put in our application," said Wadia in an eight-page letter to Palkhivala on 2nd May. Palkhivala's response: "It is unashamedly a self-serving letter."

The key to the whole affair is the belated decision by Pallonji Mistry, ACC's vice-chairman, to get into the act

The key to the whole affair is the belated decision by Pallonji Mistry, who is also ACC's vice-chairman, to get into the act. Mistry was at that point of time ACC's single largest shareholder but he had already renounced his rights (or, as Palkhivala puts it, he gave it away to people in the company). When he decided to apply he did so on a Form C which has a lower priority than the Form A which the Tatas and Wadia used. In other words, while the latter would get complete allotment, Mistry would have to be satisfied with the leavings.

Then came the hurried manipulation which sent Wadia trotting off to court. Mistry's application was withdrawn at 5.45 pm (after office hours) on the very last day and a fresh application on a Form A was submitted instead. The result: all the applications stood on a par as regards allotment.

Palkhivala's defence. Palkhivala defends this connivance of ACC officials in getting Mistry's application upgraded. "He is a major shareholder. Should not the company help him?" he asks. But industry opinion is uniform that insider information (how else would Mistry know that the issue was suddenly oversubscribed) should not be misused in such fashion.

Nor has Palkhivala any answer to the charge that while the offer letter stated that applications should be made to banks, Mistry's was accepted at the ACC headquarters' and that too after the office had officially closed for the day. The big shareholder argument does not really hold much water when Palkhivala in almost the same breath says that "our principal reason for rejecting the Tatas, Wadia and Mistry was to protect the interests of the smaller investors."

As the curtain falls on the unsavoury episode, no one seems to be emerging with clean hands. Palkhivala has labelled the Wadia application a "dishonest *benami* attempt." The Tatas too face flak, though tempered: their's was an "honest *benami* attempt." And Palkhivala himself and Mistry are in the dock for alleged manipulations.

The only winner, perhaps, is Mahendra Swarup, who was awarded 4 lakh debentures worth Rs. 5 crores. By 1st June, when his debentures would have been converted into equity, the market value of his assets should be Rs. 3 crores more than what he paid for them. "I am keeping my options open," Swarup had told *BusinessWorld* last month when asked whether he intended to hold on to his assets. Palkhivala, however, claimed last fortnight that Swarup had promised not to sell the shares without the company's concurrence Swarup's promise is the only fig-leaf Palkhivala has at the moment to cover up his embarrassment

■ *Parthasarathi Swami*

IDM MAPS A STRATEGY

Fast running out of big names in the world computers and electronics league, Indian companies appear to be eager to latch on to even the smaller players before it is too late. The latest betrothal announced is that of International Data Management (IDM) with World Digital Co-Ordinates Inc. (WDC) of the US.

WDC is by no means a big boy in software, but IDM appears to have worked that into its calculations, while mapping out its tie-up strategy. "They are pioneers in the field of electronic mapping," says Dr. O.P. Mehra, IDM's managing director. IDM, a company floated by former executives of IBM India, expects to be the first Indian company to develop map-digitising software for export to the US.

The tie-up agreement with WDC involves both financial and technical participation by the latter in a 100%, software export joint venture that has already begun functioning at the Santacruz Electronics Export Processing Zone (Seepz). The California-based WDC will hold 40% equity in the new outfit, styled International Digital Co. (IDC), with IDM holding the rest.

The offspring company is to develop value-added software exclusively for US customers. Under the agreement, WDC will sub-contract orders for execution at Seepz. Software for the purpose is to be bought from a firm in the US whereas WDC will supply the locational maps supplied by its clients. IDC's job will be to develop the required geographic databases — i.e. the computer digitised map — and export them to the US.

Virgin territory. The field of geographic databases is relatively virgin territory with enormous growth possibilities. "By the turn of the century," says Mehra, "every city in the US will be mapped to facilitate repairs of roads, underground pipelines and cables and telephone and telegraph systems, to name just a few." The business of digitising maps is growing in leaps and bounds and Mehra estimates the volume to reach $100 billion over the next decade.

IDM, through IDC, hopes to grab a slice of that cake. According to Mehra, IDC has already bagged orders from American Telephone & Telegraph (AT&T) to create a database for all its facilities in the US. Other orders include one from the US Forest Service to aid the latter in forest and inventory management in Alaska, and another from the US Geological Survey for digitising maps for various parts of the US.

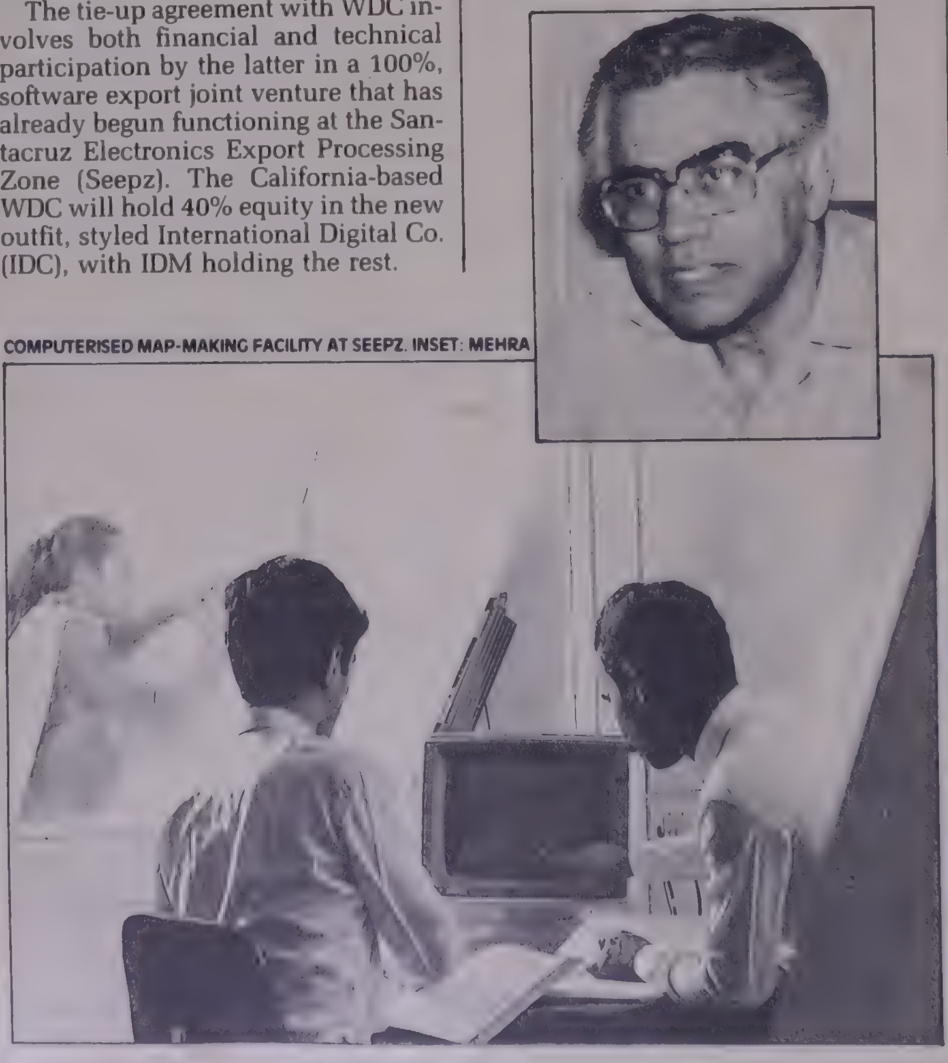
The Indian venture is committed to export around Rs. 1 crore worth of value-added digitised software during the first year and hopes to raise the level to Rs. 10 crores over five years.

IDC formally came into existence only on 1st May 1988, even though the memorandum of understanding between its parent companies had been signed more than a year earlier. A Seepz plot was acquired in June 1987, and by the year-end the unit went into operation. In the following months, export orders valued at over Rs. 30 lakhs have been executed and the unit's 100-and-odd software technicians are currently busy developing more digitised maps.

For WDC, which has already done extensive work in developing geographic databases, the IDC venture is an opportunity to ensure greater value-addition to software at lower cost. "Americans have high regard for Indian computer professionals," observes Mehra.

Given the explosive growth potential of software, Indian companies too have developed an equally high regard for such professionals and software talent is going at a premium. Obviously aware of the coming manpower crunch, Mehra says, "We will recruit boys and girls from high school and train them in this specialised field. From 100, the number of technicians can increase to 1,000 as the business grows," he says optimistically.

■ *Maya Rai Choudhuri*


COMPUTERISED MAP-MAKING FACILITY AT SEEPZ. INSET: MEHRA

SANDOZ INDIA

IMPROVED OUTLOOK

Sandoz India Ltd., which had suffered a sharp setback last year with a 53% drop in earnings, is likely to regain some of the lost ground in the year ending 31st December 1988.

The new Drugs (Prices Control) Order is expected to have a beneficial impact on the profitability of the company's pharmaceuticals division. The prospects for agrochemicals will improve if the monsoon is favourable this year. The company's actual performance during the first five months of 1988 clearly indicates a rise in both sales turnover and profitability. In the wake of this rising trend in profitability, the management seems to have decided to maintain the equity dividend at 16% for 1987, and that too on increased capital.

The outlook for the coming years is quite promising as the company is steadily expanding its operations. It has received letters of intent for manufacturing oilfield chemicals, two new bulk durgs (thioridazine and pindolol) and for a new insecticide (fluvalinate technical and its formulations). Besides this, it has also secured an industrial licence for speciality leather chemicals. All these new plans will be taken up for implementation shortly.

Meanwhile, the company has already diversified into seeds.

FICOM ORGANICS

HIGHER PROFITS LIKELY

Ficom Organics Ltd., a fast growing pesticides company, is faring well in the current year ending 30th November 1988.

The company, engaged in the manufacture of malathion technical — an anti-malarial pesticide — and alkyl phenols, has already completed its expansion programme to raise the capacity of alkyl phenols from 2,500 tonnes per annum (tpa). The full benefits of this expansion will be reflected in this year's balance sheet. In the case of malathion technical, the company has succeeded in pushing up its exports. Little wonder, that sales in the first half of 1987-88 (October 1987 to March 1988) have expanded by around 50%. Profits at the gross level have risen by around 40%.

If the actual half-time performance and current trends are any indication, sales during the whole of 1987-88 are likely to reach the Rs. 20-crore mark as compared to Rs. 13 crores last year (1986-87). The profit at the gross level is expected to exceed Rs. 4 crores. Shareholders can expect an interim dividend in the 10%-15% range and a final dividend of 20%-25% by November 1988.

Prospects for the coming years are very promising as the acrylamide project, being set up by the company in technical collaboration with Indian Petrochemicals Corporation Ltd. (IPCL), is progressing rapidly and will go on stream within the next six months. The company is also planning to further diversify its activities in related fields.

SARASPUR MILLS

DIM PERFORMANCE

The outlook for Saraspur Mills Ltd. an Ahmedabad-based Lalbhai group textile mill, has not improved. The company's current year ends in December 1988. Last year, the company had incurred a gross loss of Rs. 1.14 crores, in striking contrast to a gross profit of Rs. 1.16 crores earned the year before. This had forced the management to skip dividend altogether as against the 19% paid in 1986. The sharp setback was attributed, among other things, to a steep rise in cotton prices, an increase in the cost of other major inputs like labour, power and coal, and acute demand recession.

The situation is still the same this year if the actual performance of the first five months is any indication. Cotton prices have skyrocketed further in the current year. On the other hand, the demand for textiles has not picked up at all. In these circumstances, it will be difficult for the company to come out of the red. Shareholders, too, may not expect any dividend.

Companies this fortnight

(Rs. crores)

	Sandoz (year ending December)			Saraspur Mills (year ending December)			Ficom Organics (year ending September)		
	1985	**1986**	**1987**	**1985**	**1986**	**1987**	**1985**	**1986**	**1987**
Sales	86.61	95.20	103.01	26.15	26.23	25.19	5.94	10 45	13 53
Gross profit	4.53	3.79	1.76	1.01	1.16	1.14	0.80	2.06	2.96
Paid-up capital	4.50	4.50	5.30	0.80	0.80	0.80	0.60	0 64	1 29
Reserves	14.25	16.40	19.68	7.54	8.15	6.41	0.70	2.04	3.07
Gross fixed assets	18.38	23.78	34.10	14 05	15.26	15.39	2.94	3.32	4 89
Dividend (%)	16.00	16.00	16.00	19.00	19.00	Nil	20.00	30.00	30 00
Earnings per share (Rs.)	7.72	5.58	2.32	67.50	76.25	-211.25	9.00	23.00	17.00
Paid-up value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on 27th May 1988 (Rs.)			75.00			45.00			173.75

MARUTI UDYOG

EXPORT PLANS

THE MARUTI 800 CC

Having dominated the country's automobile market, the state-owned Maruti Udyog Ltd. (MUL) is looking East for more business. According to a news report, MUL is proposing to float a 100% export-oriented unit.

The new unit, which is yet to be named, will manufacture automobile components. The idea for such a venture was triggered off when MUL's Japanese collaborator, Suzuki Motor Co., made an offer to purchase auto components for its own plants. MUL is slated to retain 40% of the equity and the remaining 60% will be offered to the public.

The plan has already made progress. Suzuki has asked MUL to identify the components that the latter can manufacture. One of the components identified is the jack, for lifting vehicles. Suzuki's requirement of jacks has been pegged at 50,000 units per month.

TATA CHEM

SUPERB RESULTS

Tata Chemicals Ltd., the Bombay-based manufacturer of salts, alkalies and heavy chemicals, has had yet another year of record sales and profits.

According to D.S. Seth, chairman-cum-managing director of the company, "these record results were achieved defying unprecedented drought and several man-made hurdles." The total income of the company spurted to Rs.230.40 crores in the year ended 31st March 1988 (*cf*. Rs.193.56 crores in 1986-87). Gross profit was higher at Rs.83.97 crores (Rs.66.58 crores) and profit after tax was Rs.27.20 crores (Rs.22.60 crores).

The board of directors has recommended a final dividend of 20%, which takes the total dividend to 30% (25%), on an enhanced capital.

WELDING UNIT SOLD

Philips India plans to sell its welding undertaking on 1st July to Esab India, a company promoted by Esab AB of Sweden

The Swedish company — a world leader in welding and cutting products — has already acquired the welding operations of Philips, Holland, in Europe. By taking over Philips' Indian outfit as well, Esab hopes to establish its presence here.

Esab also plans to launch a public issue soon, when it will offer equity to the resident Indian shareholders of Philips India. Financial institutions and banks will be excluded.

Philips has convened an extraordinary general meeting on 22nd June to approve the agreement.

KIRLOSKAR LEASING

HIGHER PAYMENT

The Pune-based Kirloskar Leasing & Finance Ltd., has declared a higher dividend on the basis of improved results for the year ended 30th April 1988.

Fresh disbursals against assets leased and given on hire purchase during 1987-88 were higher at Rs.3.63 crores (*cf*. Rs.2.53 crores in the previous year). Income from lease rentals, hire purchase instalments, etc., improved to Rs.1.43 crores (Rs.74 lakhs).

After providing for depreciation and interest, the profit stood at Rs.32 lakhs (*cf*. Rs.28 lakhs). This has encouraged the board of directors to jack up the dividend by one point to 18%.

VARUN SHIPPING

FULL STEAM AHEAD

Varun Shipping Co. Ltd. has emerged unscathed from the storm. Despite the worst ever recession in the history of international shipping, the Bombay-based company has substantially improved its financial results for the year ended 30th November 1987, and is the only Indian shipping company to have maintained its dividend for the fourth year in succession.

The company's total operating costs for 1986-87 sailed ahead to Rs. 7.80 crores compared to Rs. 6.50 crores in the previous year. Profit before tax was higher at Rs. 1.03 crores (Rs. 66.13 lakhs) and profit after tax at Rs. 87.10 lakhs (Rs. 61.63 lakhs). The dividend has been maintained at 20%.

According to Arun Mehta, managing director, the company had expanded its fleet at the right time and at the right prices. With the delivery of the tenth ship in mid-May this year, Varun Shipping has successfully implemented its Rs. 40 crore expansion programme.

ARUN MEHTA, MD, VARUN SHIPPING

To improve its debt-equity ratio, the company will shortly enter the capital market with an issue of Rs. 5 crores in July 1988, including a preferential issue of 1:1 to the existing sharheolders.

ARIHANT FABRICS

AMBITIOUS PLANS

Arihant Fabrics Ltd., the Ludhiana-based manufacturer of synthetic and woollen fabrics under the tradename Oswal, has chalked out ambitious expansion plans. It has also registered good results for the previous year.

As per the unaudited results, sales turnover has increased from Rs.11.59 crores in 1986 to Rs.22 crores in the 15-month period ended 31st March 1988. However, pretax profit has jumped substantially to Rs.3.10 crores (*cf.* Rs.1.44 crores in 1986) and net profit to Rs.96 lakhs (Rs.29 lakhs).

The company has drafted a prospective plan to increase its turnover to Rs.80 crores by 1989-90. On a capital outlay of Rs.11.87 crores, the company proposes to add 12 sulzer Ruti projectile weaving machines and 24 water jet looms. The capacity of the worsted spinning division of the company is being expanded to 6,000 spindles from 3,200.

In the processing division, the company plans to double capacity from 36 lakh metres per annum to 72 lakh metres. To part-finance these projects, Arihant will shortly enter the capital market with a rights-cum-public issue. In addition, a new company, styled Arihant Cotsyn Ltd., is being promoted.

NOCIL

FAIR PROSPECTS

National Organic Chemical Industries Ltd. (Nocil) may soon be asked by the government to act as a canaliser of imported PVC resin. The Mafatlal group company is a leading manufacturer of PVC and control over imported stocks should increase its clout further in the marketplace.

The company has had a fairly good year in 1987. According to its annual results for 1987, announced recently, the sales turnover went up to Rs.297.9 crores (*cf.* Rs.282.8 crores in 1986). The profit before tax was slightly lower at Rs.23.4 crores (Rs.26.7 crores), because the Thane plant was shut down for maintenance. However, higher capital expenditure during 1987 brought down the tax liability by about Rs.4 crores. Profit after tax was, thus, higher at Rs.17.4 crores.

WALL STREET FINANCE

HIGHER DIVIDEND

Wall Street Finance Ltd. has fared well in its financial year ended 31st December 1987.

The sales turnover of the company doubled to Rs.3.23 crores from Rs.1.63 crores in 1986. While the gross income of the company increased to Rs.93.01 lakhs (*cf.* Rs.70.04 lakhs), profit before tax spurted four times to Rs.32.06 lakhs (Rs.8.24 lakhs).

In view of this performance, the directors have recommended a dividend of 18% (5%).

THAPAR AGRO MILLS

GOOD SHOW

Thapar Agro Mills Ltd., a New Delhi-based company, is going great guns. In its year ended 31st December 1987, the company has doubled sales to Rs.24.48 crores from Rs.12.18 crores. Profit before tax was Rs.88.33 lakhs, a hop, step and jump from Rs.29.75 lakhs achieved in 1986. After taxation, net profit stood at Rs.69.39 lakhs compared to Rs.25.74 lakhs in the previous year. The total dividend for the year was 15%.

The company projects even better performance in the current year. The sales target is Rs.30 crores, which includes exports of Rs.4 crores. The commissioning of the company's industrial hard oils plant with a capacity of 30 tonnes per day at Rudrapur (Uttar Pradesh) this year (around October), is expected to help realise this target. Work on the fatty acids plant is going on.

UNITED BREWERIES

NEW DIVERSIFICATION

The Bangalore-based United Breweries (UB) is diversifying into the manufacture of printers. A multi-diversified company already, UB has tied up with Genicom Corporation of the US to manufacture, market and support the latter's products in India. The new venture, UB Genicom Ltd., will immediately introduce Genicom's dot and shuttle matrix printers, as well as non-impact printers to the Indian market. In addition, selected Genicom products will be manufactured in India within a few months.

Genicom Corporation was formed in 1983, and is a leading manufacturer of computer printers. It is also a major manufacturer of electro-mechanical relays for aerospace, defence and transportation applications.

CURTIS POWELL, CEO OF GENICOM, AND VIJAY MALLYA, CHAIRMAN OF UB, SIGNING THE AGREEMENT

AGRICULTURAL FINANCE CORPORATION

BOUNTIFUL YEAR

It has been a green harvest year for the Agricultural Finance Corporation. The Bombay-based consultancy organisation pocketed 98 assignments during 1987 against the 87 handled in 1986. The company picked up an important assignment in 1987 under which it will evaluate the special rice production programme (SRPP) and the national oilseeds development project (NODP) for the agricultural ministry in five and 13 states respectively.

The corporation earned higher consultancy fees of Rs. 2.60 crores during the year (*cf*. Rs. 1.84 crores in 1986). It more than doubled its foreign consultancy earnings to Rs. 29.26 lakhs (*cf*. Rs. 14.15 lakhs). AFCL's net profit was a sizeable Rs. 35.95 lakhs against the Rs. 6.96 lakhs earned the year before. However, after providing for taxation the net profit works out to Rs. 15.65 lakhs.

With a good rainfall expected this year, AFCL is bound to have its hands more than full come 1989.

INDIAN SEAMLESS TUBES

PROFITS ZOOM

Indian Seamless Tubes is in the pink of health. The Pune-based manufacturer's turnover for the year ended 31st December 1987, perked up to Rs.31.37 crores, registering a 40% increase over the previous year's figure. The company raked up a neat Rs.2.10 crores as net profit against Rs.1.16 crores the year before (an 85% upsurge). The management has recommended a dividend of 18%.

According to reports, the company proposes to set up cold pilger mills to widen its range of tubes.

GUJARAT ALKALIES

HEALTHY PROFITS

1987-88 has been a good year for Gujarat Alkalies & Chemicals Ltd. The Vadodara-based chemicals manufacturer has not only increased production but also notched up healthy financial results.

Production-wise, GACL hiked its capacity utilisation during the year ended 31st March 1988 to produce more than one lakh tonnes of caustic soda as against the 96,000 tonnes manufactured during 1986-87.

GACL's turnover jumped 21% to Rs.85 crores in 1987-88 (*cf*. Rs.70 crores in 1986-87). Its exports spurted 300% to Rs.1.32 crores (*cf*. Rs.33.43 lakhs). The company, which recorded a gross profit of Rs.17.18 crores (*cf*. Rs.13.16 crores), made a 3:5 rights issue during the year.

The company is upgrading its caustic soda technology by converting 60% of the mercury cells in its plant to membrane cells with knowhow from Uhde GmbH (West Germany).

TATA TEA

RECORD OUTPUT

For Tata Tea Ltd., profits seem to be growing on leaves, literally. In its silver jubilee year, the Calcutta-based company has chalked up excellent financial results.

Despite the severe drought, the company's tea estates in both the north and the south have produced record harvests. In 1987, Tata Tea's black tea production surpassed previous records at 49 million kg. The sales turnover stood at Rs.142.81 crores in 1987 compared to Rs.132.86 crores in 1986. Profit before tax jumped to Rs.19.22 crores (Rs.13.80 crores) and post-tax profit to Rs. 11.05 crores (Rs. 8.45 crores).

In addition to an interim dividend of 15%, the board of directors has recommended a final dividend of 20%, taking the total dividend to 35% (Rs.5.1 crores). In addition, a silver jubilee dividend of 10% has also been announced.

TATA TEA'S ESTATE

LARSEN & TOUBRO

IMPRESSIVE SHOW

Bulging order books and better sales have enabled Larsen & Toubro (L&T) to notch up an impressive half-yearly performance in the six-month period ended 31st March 1988.

During the period, orders received swelled to Rs.459 crores as against Rs.309 crores during the corresponding period a year ago. Two major orders were placed on L&T for coal-handling plants — one worth Rs.69 crores by Bhel and the other, of Rs.60 crores, by MSEB, Chandrapur.

Essar Gujarat has placed a Rs.30 crore order on L&T for dismantling a West German sponge iron plant, ferrying it to India and then setting it up at Hazira.

The company has stepped up its sales turonver to Rs.295 crores (Rs.245 crores in the six months ended March 1987). Gross profits were 22% higher at Rs.35.1 crores (Rs.28.79 crores). Profit after tax was up 16.5% to Rs.12.27 crores (Rs.10.53 crores).

COMPANY NEWS & EVENTS

INNOSYS
PEST REPELLER

INNOSYS ULTRASONIC PEST REPELLER

NEW PRODUCTS

■ **Innosys Electronics & Systems Pvt. Ltd.** has introduced an Ultrasonic Pest Repeller: Model 2000. It emits high-frequency sound waves that drive away pests. It consumes negligible electricity and is priced at Rs. 495 exclusive of taxes.

■ **American Express** now imparts some useful hints to Indians travelling abroad. The Travel Guide, available to buyers of American Express travellers cheques, offers hints on how to get visas and what items to bring back through the customs. One section tells travellers how to get fast refunds on lost travellers cheques and what to do about lost or stolen passports and airline tickets. Another section advises the traveller about food habits, and lists the names of Indian restaurants abroad.

■ **Indian Telephone Industries Ltd.** has signed a tripartite agreement with VLSI Technology Inc. and Arcus Technology Inc. (both of the US) for the transfer of advanced 1.5 micron ASIC (application specific integrated circuits) technology. With this technology, ITI can provide better service to its customers.

TIE-UPS

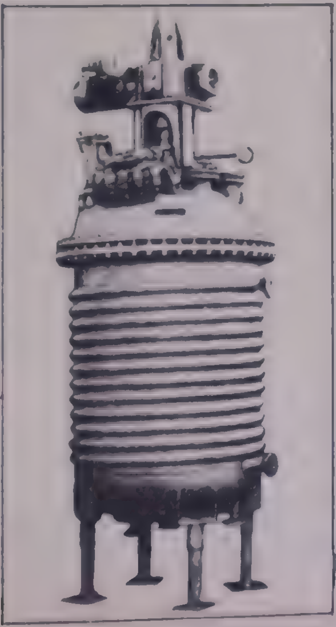
■ **Ruston & Hornsby (India) Ltd.** has tied up with Motoren-Werke Mannheim AG for the manufacture of MWM's Series 234 engines in India. This will enable Ruston & Hornsby to manufacture diesel engines ranging from 141 bhp to 1088 bhp, which are well suited for operation in fast ships and heavy duty vehicles.

■ **Gujarat Machinery Manufacturers Ltd.** (GMM), has tied-up with a US-based company to manufacture superior glass-lined equipment.

Pfaudler Companies Inc., GMM's US collaborator, is the world leader in corrosion-resistant equipment for the chemical processing and pharmaceutical industries. Under the agreement, Pfaudler will provide sophisticated technology to GMM (sales: Rs. 10.45 crores in the year ended 30th September 1987),

The GMM management has allotted 42,448 equity shares of Rs. 100 each at a premium of Rs. 150 per share to Pfaudler, giving the latter a 40% stake in the company.

GMM'S GLASSLINED BOILER

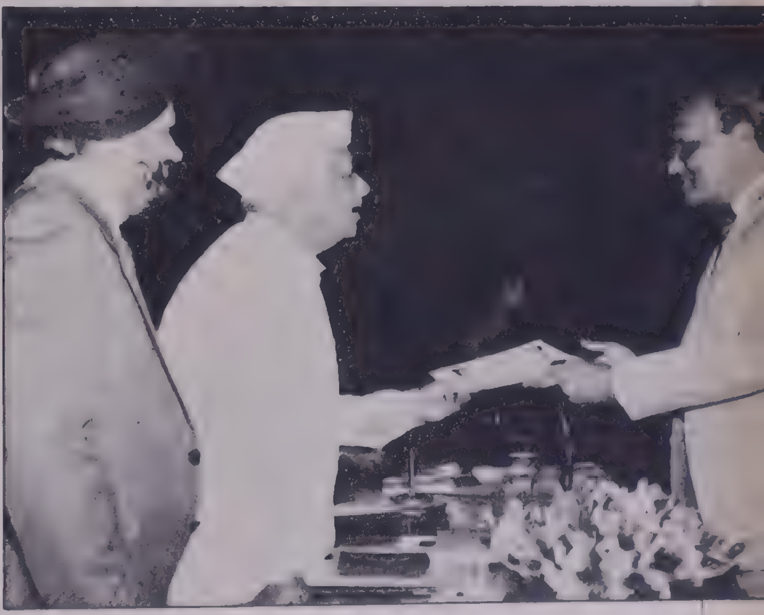


AWARDED

■ **Bharat Forge Ltd.** has been awarded the Engineering Export Promotion Council's Special Shield for 1986-87 in the steel-based products group.

■ **Philips India** has bagged, for the fourth time, the All India Certificate of Export Excellence awarded by the Engineering Export Promotion Council.

R.S. LUNIYA, EXPORT MANAGER OF PHILIPS INDIA, RECEIVING THE CERTIFICATE FROM N.D. TI



HALF-YEARLY RESULTS

■ **Yamuna Syndicate Ltd.**'s financial performance has taken a turn for the better with the trading company's half-yearly results showing a rise in both turnover and profits.

Sales and other income increased to Rs. 6.76 crores in the July-December period of 1986 compared to Rs. 5.76 crores over the same period last year. While gross profit showed a jump to Rs. 48 lakhs (*cf.* Rs. 21 lakhs), net profit rose to Rs. 33 lakhs as against Rs. 25 lakhs for the whole of 1986-87.

Keeping in mind the good performance of the company, a 20% dividend for the year ended June 1987, has been announced

ENVIRONMENTAL TECHNOLOGY

The theme for this year's industrial fair at Hanover in West Germany was "process technology," with the emphasis being on process automation, energy and environmental technology. As many as 5,811 exhibitors participated in the biggest event of its kind in the world, over one-third of them from abroad, in the last week of April. While the stress in industrial societies has so far been on greater productivity, the problems of waste disposal as well as utilising energy more efficiently have now begun to receive more attention.

As the organisers of the fair themselves pointed out, "Viewed as a whole, the exhibits provide a fascinating insight into the shape of things to come: new industrial processes that are both economically efficient and ecologically sound and new energy-saving technologies designed to conserve resources and safeguard the environment."

In West Germany, government agencies are quick to point out that the disposal of waste — whether it is in the atmosphere, soil or water — has become the country's main environmental problem. In Hanover, companies demonstrated how they could tackle these wastes. Indeed, the generation of energy by thermal power plants has serious implications for pollution and both aspects were encapsulated in the theme for "Hanover 88."

Siemens, the electronics company, had on display its technology for a combined pyrolysis combustion plant. Minus the jargon, that's a waste incinerator. In a typical chemical factory, for example, there may be as many as 2,000 poisonous wastes which cannot be easily disposed of. With the campaign against nuclear power gaining momentum, all prime dumping sites are being reserved for nuclear waste: abandoned salt mines are a classic instance.

By burning some of these waste chemicals at temperatures as high as 1,300° C, it is possible to generate steam, which can then be used in the production process itself.

Garbage disposal. Also on exhibit was Siemens' "environmentally benign" waste disposal system, which also uses a combined pyrolysis combustion plant to burn all household garbage — consisting mainly of organic material. The gas produced from the burning chamber can be employed in water boilers or even to generate electricity. A large plant of this type, using garbage from a big housing complex, can take care of the disposal of some 70,000 tonnes per year of wastes, but the cost is an exorbitant DM 13 million (Rs. 10.2 crores)! There are three projects of this kind in the pipeline in Germany.

Siemens also exhibited its "power plant of the future," which uses natural gas: when burnt, it produces steam to run turbines in a combined cycle. In both West and East European countries, acid rain — caused largely by burning coal and oil to generate electricity — has led to the quest for cleaner fuels.

Of course, the really futuristic technology is the gasification of coal, which Siemens reckons will be ready by the mid-nineties. But, as environmental engineers in Veba Kraftwerke Ruhr AG (VKR) observe, coal gasification itself needs so much power that only nuclear energy will do the trick. Atomic reactors of the kind built in Hamm, which can produce heat up to 950° C, are needed (but the one at Hamm, built at a cost of DM 7.5 billion, is lying idle because of public opposition). Nevertheless, Siemens maintains that the investment cost of a unit of power produced by gasifying coal will be about the same as in conventional power stations. There will be great environmental benefits, with lower emission of sulphur dioxide and nitrogen oxides.

Electric car. A still bigger leap into the future, in another field of energy, is the electric car, displayed in Hanover by Pohlmann. It costs a whopping DM 89,000 (Rs. 7 lakhs) and so far it has found just five buyers, including two Japanese and one German. The car runs on a special lead acid battery, which costs DM 7,000: its consumption is 35 Kwh per km and the energy cost for 100 km works to around DM 5-6. The car has a speed range of 60-90 kmph and the battery lasts for four years, irrespective of the car's running. For the time being, therefore, the pollution-free electric car is only for shopwindows.

This year's fair paid a lot of attention to alternative forms of energy. A public utility called Rheinisch-Westfalisches Elektrizitatswerk AG (RWE) displayed its 1 Mw photovoltaic project, the first phase of which was initiated in December 1987 and is due for completion by the spring of next year. This plant is located near Koblenz, which is a well-known grape-growing area, with plenty of sunlight to convert into electricity with the aid of silicon cells. Contrary to what most people may imagine, Western Europe isn't such an unfavourable location for solar energy: conditions in the Sahara, the best in the world, are only about 1.2 times better — a square metre in that desert receives 2,200 Kwh of solar power, as against the 1,000 Kwh in Europe.

With RWE's contraption, the sun's rays can be converted directly into electricity and fed into the grid. According to the company, power

BAYER'S SEWAGE TREATMENT PLANT IN LEVERKUSEN: BOASTFUL CLAIM

can be generated at a cost of DM 3-4 per Kwh against the DM 0.20 for conventional electricity. Says U. Beyer of RWE: "The Koblenz plant is to test its commercial viability: at the moment, it is too expensive for use." One of the problems faced with such solar projects is whether the "modules" containing the photovoltaic cells should be rotated to keep catching the sun's rays. Beyer believes that the cost of computerising such a system is greater than the advantage gained from the extra energy trapped.

Another problem associated with big solar energy "farms" in densely populated countries like West Germany or Holland is the lack of space. California in the US, however, has lots of space, and one farm near Sacramento has a 6.5 Mw capacity solar unit.

Wind energy. The other area of renewable energy is the use of wind, also demonstrated by West German and Danish companies at Hanover. Messerschmitt-Bolkow-Blohm GmbH (MBB) — as the first name implies, it is a spin-off from aircraft technology — had a prototype of its Monopteros 15 wind-energy convertor. This employs a single blade and is, therefore, specially useful in remote areas: it doesn't require a hydraulic lift to hoist it into position. This "stand-alone" version has been used in desalination plants in Egypt and in fish farms in China, where the water needs to be circulated to increase the oxygen intake. The 20-metre high windmill has a 30 Kw capacity, and costs DM 136,000.

A larger model, the Monopteros 50, has a 1 Mw capacity and is 60 metres high. Another 90-metre high giant produced by MBB is known as the Aelous and has two blades. A wind convertor with a capacity of 3 Mw, it costs a staggering DM 17 million.

In Germany itself, there are only two "wind parks" (unlike California, where as many as 8,000 wind-powered generators may be operating at a site) producing power throughout the year. Apart from requiring space, these modern windmills make a terrible noise and are unlikely to be easily given permission to operate in environment-conscious Germany.

Water purification. Since waste disposal is such a major environmental problem in Western Europe, companies at Hanover showed entirely new techniques of cleaning water, soil and air. The West German firm Preussag, for example, has pioneered the use of biomass for purifying contaminated water. To get rid of toxic elements like thorium and barium — which are found in the effluents from plating industries, among others — Preussag harvests algae from the sea. This acts as a kind of natural screen to isolate these elements; even tiny traces of gold can be recovered this way. The method is ideal for treating large volumes of water in big industries which have very low concentrations of heavy metals. While the recovery of gold may be commercially viable, the removal of metals like cadmium is environmentally extremely beneficial.

The extent to which the disposal of waste has become a vexed issue in West Germany can be gauged by the measures with which Berlin's Urban Development and Environmental Protection Authority is cleaning up the spillage of oil and toxic contaminants at the site of an abandoned waste-oil recycling plant called Pinsch-Oil. The company, which has since declared itself bankrupt, was responsible for despoiling a total area of around 50,000 sq metres, which it had occupied. When the city authorities moved in, they found that there were even traces of the highly poisonous dioxin in the smoke stacks, which were carefully removed. They are now meticulously "detoxifying" the soil *in situ* — a laborious process, which will cost a total of DM 80 million by the time it is complete. Obviously, it is more of a demonstration plant than a commercially viable operation.

The federal authorities have made it compulsory from 1st July 1988 for all major producers of power from coal to fit flue gas desulphurisation devices on boilers. VKR, in the Ruhr coal belt, which consumes seven million tonnes of coal a year and has a 5,500 Mw capacity, has lowered emissions not only of sulphur dioxide, but also of suspended particulate matter and nitrogen oxides. Thus, although its electricity production has increased ten-fold over a period, the emissions of dust have remained constant.

German inventiveness. What is more, with typical German inventiveness, the company recovered the fly ash, which is sold to the cement industry: only one-tenth of the ash is used for filling land. The flue gas desulphurisation plant also yields gypsum, which is sold for making plaster boards as partitions in rooms. According to VKR, it spends about one-third of the cost of a 700 Mw plant on environmental control, a total of DM 350 million, with a recurring expenditure of DM 80 million a year.

WIND-POWER : BIG STRIDES

Perhaps the most boastful claim of the merits of West Germany's environmental technology is made by the chemical giant, Bayer, in Leverkusen. Like all major chemical companies, it is situated on the Rhine: traditionally, it receives its raw materials from barges plying on the heavily polluted river (Germans joke that you can develop film in the turbid waters!). Although the factory, the second largest chemical plant in the world, requires a million cubic metres of water every day, most of the water doesn't come into contact with contaminants. Only 90,000 cubic metres have to be treated biologically daily and Bayer quips that the quality of what it releases back into the Rhine is better than the water samples of the river itself: it is, therefore, "cleaning" the river!

■ *Darryl D'Monte*

The author is a former editor of Indian Express, Bombay

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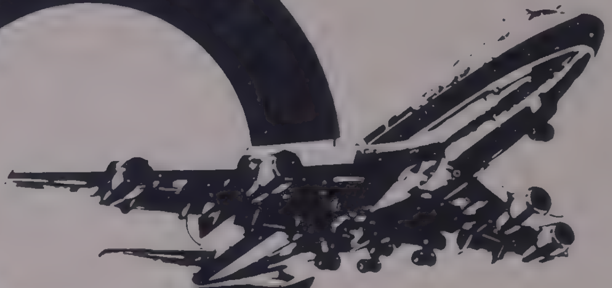

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COMPUTERS AS CRIMEFIGHTERS

The Delhi police recently introduced an on-line computerised information-retrieval system containing records of crimes and criminals, and which connects six districts in the capital. The system, which will eventually be accessible to all the police stations in the city, will enable police officers to obtain detailed information about criminals.

By feeding in different combinations of physical descriptions and *modus operandi*, police officers can also get the computer to give them a list of probable criminals involved in any incident. In addition, the computer is geared to providing consolidated crime data and can be coupled with a fingerprint identification system.

Slowly, but surely, computer technology is coming to the aid of the police. For example, officers can now use electronic notebooks that upload their observations into a PC at the station, at the end of the beat. Fingerprints can be digitised and matched in a thousandth of the time it would take to do the job by hand.

Against this backdrop, it would be of interest to the Indian police to know that computers can be put to even more innovative uses. The recently-held International Police Exhibition and Conference (IPEC) in London — a trade exhibition for chief police officers — was a real eye-opener in this regard.

ON THE BEAT

Included in every beat officer's 12-hour shift is an hour at the end of the day to catch up on routine paperwork. This involves filling innumerable forms and reporting events investigated or attended to while on duty. Normally this information is often copied from a notebook, which the officer has to keep handy at all times. However, writing takes time and, more importantly, keeps officers from where they are supposed to be — on the street.

But now electronic help is at hand. An electronic version of the policeman's notebook called The Investigator, will shortly be introduced in a police force in the UK. The system can be typically operated at the police station level and is based around a hand-held, battery-operated CP/M micro-running custom software. There's nothing special about the micro, except that it's built like a tank. Each car-based officer (it's too heavy to carry in hand) is given one unit, and it contains, in ROM form, a simple word processor that replaces the notebook. Also built into the system is the officer's diary for the day, and appointments will flash up on the 8-line LCD screen.

An officer called to investigate an incident tells the computer what sort of incident it is and the system uses artificial intelligence techniques to suggest the sort of questions to ask. At the end of a duty shift, the officer returns the micro to the station and connects it to two cables. The first recharges its batteries, while the second downloads the data into a central AT-compatible, from where it is printed out on to standard forms. The officer's diary for the following day is then uploaded into the micro, ready to be taken away at the start of the next shift.

In emergency situations, a facility at present under development will allow the portable micro to transmit its data back to base using either a cellular telephone or the policeman's pocket radio. Just in case someone steals the police car, the system is protected by a password. Get this wrong three times, and all data is wiped out.

FINGERPRINT RECORDS

The police national computer at Hendon, North London, stores semi-digital records of some 3.7 million fingerprints. Even the local forces' records are huge. Therefore, if fingerprints are found at the scene of a crime, it takes even a skilled person a long time to find a match with a print that is on file. One way for computers to help is to digitise photographs of fingerprints; then, to compare two prints, you just have to compare two blocks of memory. However, a digitised print of sufficient resolution occupies some 64k of memory, which takes a huge amount of disk space and processing power. Add to this the software overheads of making sure that one is comparing the same part of both prints, and the whole system becomes impossible except on the more powerful mainframes.

What was needed was an algorithm that would produce a unique pattern for any fingerprint. There are two important features to look for in the lines, or ridges, of a fingerprint. First, ridge endings, that is, the end of the line. Second, ridge forks, where a line divides into two. The algorithm works by digitising a fingerprint onto a standard PC screen. With the image onscreen, special software overlays a small dot on every ridge ending and fork. Then, every dot is joined up to its five nearest neighbours, always working left to right. The digitising and overlaying is done with an array of 16 T414 transputers; using a Compaq Deskpro 386 as a front end. With each transputer working on 1/16th of the image, the whole process takes about three seconds compared with 50 seconds on a Prime minicomputer (which IDM sells in India).

Taking away the actual fingerprint leaves behind something that looks like a distorted spider's web. This web

Slowly, but surely, computers are coming to the aid of the police. Officers can now use electronic notebooks; fingerprints can be digitised and matched in a thousandth of the time it would take to do the job by hand takes just 1k of memory to store and is a digital 'signature' of someone's fingerprint. This can be compared electronically to stored prints, or printed on a laser printer, and that's where Windows (for multi-tasking) come in. The system can be printing, digitising and comparing data simultaneously.

When the system is upgraded to use T800 transputers which have hardware support for floating-point maths, the operation should be speeded up even more. The beauty of using transputers for matching is that you can keep adding transputers to speed up the job. Plans are afoot to have 1,200 units operating concurrently, with each unit containing 256 transputers. This configuration will perform 60,000 comparisons per second which will compare a print with those of 6,000 known criminals.

Photofit identification by eyewitnesses is invaluable to the police, but there have always been problems. The finished picture usually resembles someone designed by committee, and often the standard cards don't contain exactly what the witness saw. Sirchie Fingerprint Labs in the US has combined a PC clone and some custom software with the standard photofit cards to give the best of both worlds.

As before, the witness still sits with the book of pictures on his or her lap, picking possible matches from around a hundred different foreheads, eyes, noses, mouths, chins, beards, moustaches, hats and glasses. As the witness calls out the number of each part — for example, eyes number 4A and chin number 12 — the police officer types the number into the PC. The required image is then taken from the machine's 80 megabyte hard disk, where it is stored as a pixel bit image and displayed on the screen.

Currently, the database uses facial parts taken from volunteers, although a police authority which buys a system will be able to add local characters to the file. As with the old system, the witness can chop and change until the image looks right.

The operator, guided by the witness, can touch up the image onscreen using a mouse. The painting package is custom-made, written in machine code both for speed and to allow better control of the display hardware, and uses a resolution of 512 x 480, with a choice of 256 colours. For example, the mouse can be used to iron out the sharp outlines of the individual components. Scars can be added, or spots, or even tattoos. Rectangular blocks of the image can be picked up and moved.

The mouse-enhanced image is then saved on disk as a bit-image picture, which takes up some 55k of memory. It can be printed out on a badged Toshiba dot-matrix printer (included in the price) to give a rough outline, or sent to an add-on unit that will produce a polaroid print direct from the screen. Alternatively, the data can be transmitted by modem to aid other police forces.

Around five million people in the UK have criminal records and, somewhere, buried deep in a filing cabinet, are mugshots of every one of them. The problems with this kind of system are many. Not only does it take a long time to index, file and retrieve a picture, but the average policeman frequently forgets to rewind the film. Getting 40 shots on a 12-exposure cartridge may save money, but it confuses the judge no end.

The new computerised solution to the problem is called Fastfoto. When a person is brought to a police station for questioning, no longer is he or she made to sit in front of a 35 mm camera. Instead, the person's features are captured on VHS video tape by a standard recorder that takes around 450 frames in nine seconds. The lighting, timing and recording are controlled by an array of relays linked to a PC clone. The heart of the system is a custom-built micro based on a MC 68000 chip running a Unix clone at 12.5 MHz. The timing loop in the PC is achieved by asking the system to count down from 10 million to zero, and this just happens to take nine seconds in which time 450 frames are taken.

The VHS recorder is a standard home model, modified to prevent the use of the Play, Rewind or Fast Forward buttons. This means that the tape is always in the correct position to record the next "customer." The cassette is then taken to headquarters, where an operator scans manually through the frames to find the best one. This is then blown onto a 12-inch laser disc which holds 50,000 separate pictures. (The reason why laser discs are used and not CD-ROMs is that a laser disc holds 2.6 gigabytes of digital data, whereas a CD-ROM stores only around 600 megabytes). The index to the picture disk is held on a standard PC with a hard disk. The drive holds the name and number of everyone whose picture has been recorded, along with details of age, height, colour, sex and so on. These are all typed in manually. The disk also records the position on the laser disc of the person's picture.

When the 50,000-image capacity of the disk is reached, a juke-box type system is used to hold up to 32 disks. The limit is 1.6 million pictures, though it will still find and display any one in less than seven seconds.

The real benefit of the system comes when a witness has to identify a suspect. Instead of being shown endless books of mugshots, the witness can give just a brief description of the villain — for example, the colour of the eyes, hair and skin — and the system will then present matching pictures to look at.

At the moment, the system lacks intelligence. When the witness asks to see all the men who have brown eyes, the computer scans the manually-entered data on the hard disk and calls up the required pictures. Eventually, the system will be able to look at the photos on the laser disc and automatically look for eyes, scars, spectacles and so on.

■ *T.A. Balasubramanian*

PRODUCTS & PROCESSES

Cases of food poisoning are a dime a dozen in India. But when even five-star hotels can't seem to avoid it (this writer had a bitter personal experience in this regard at one of Bombay's top-most hotels), it is time to sit up and take notice. Sympathy and understanding from hotel staff are all right, but provide little solace to the victim. The only way to reduce the frequency of such dangerous occurrences, which could lead to death or severe permanent disability, is to train the catering staff as often and as thoroughly as possible to maintain hygienic conditions around the clock. A British firm has recently introduced a complete hygiene training programme for caterers on videotape.

HYGIENE TRAINING FOR CATERERS

Videotel Marine International Ltd. of UK has developed six short video films entitled 'Catering with care — health, hygiene and safety,' which teach staff the key principles of food hygiene. Each tape runs for about 20 minutes and covers subjects like good and bad practices in delivery and storage, food preparation, personal hygiene, temperature control, pest control and basic cleaning.

The training programme addresses its audience directly, emphasising individual responsibility. Along with the films come handouts that help viewers assimilate the information in different ways. These handouts include discussion questions, an observation sheet which provides a practical fault-spotting exercise, multi-choice questions for testing and trainers' notes.

The films are available on videocassettes for U-matic, VHS or Betamax systems and match NTSC, PAL or Secam colour standards. They can be ordered with soundtrack in English, French, German, Portuguese or Spanish.

APPROPRIATE TECHNOLOGY

Unata of Belgium is well known in many developing countries for the design of simple appliances that are capable of being used in rural areas. Hand-operated machines are its specialty: brick presses, oil presses, machines for making wire netting, winnowers, hand pumps for deep wells, wind turbine pumps and incubators.

Technical support and training programmes are offered in many areas of basic appropriate technology, including well drilling, pump installation and maintenance, diesel engine repair and maintenance and breeding of livestock.

PURPOSE-BUILT HOSPITAL TROLLEYS

KeyMed (Medical & Industrial Equipment) Ltd. of England, has introduced a wide range of purpose-built hospital trolleys. All have shelves, a safety rail to secure costly equipment and anti-static castors with buffers. The frames are ruggedly built to meet exacting requirements.

The endoscopy trolleys, for example, are designed to hold all items that are likely to be needed for a flexible endoscopic procedure, including fibrescope, forceps, light source, suction pump and diathermy unit. The bronchoscopy trolley (a self-contained unit for the chest department), can hold a light source, suction pump, fibrescope and forceps. The sigmoidoscopy and the ENT trolleys are designed respectively to hold all the equipment needed for flexible sigmoidoscopy and laryngoscopy. The flexible cystoscopy trolley is intended for use in the out-patients department and has a sterile area at one end of the trolley.

COMPUTERISED WELDER TRAINING

Lenco of the US has launched its computer controlled weld-trainer LT-3000, a hi-tech training tool which allows the operator to simulate and experience most of the conditions found in actual welding. This training occurs under controlled test conditions without the consumption of welding rods or test plates and there is no need to set up an actual welding booth.Testing can be done in a classroom setting.

This new method teaches the critical hand/eye coordination skills necessary in MIG, TIG and manual arc welding. Flat, horizontal, vertical or overhead welding can be practised by adjusting the simulated practise display screen to various positions. The student and the instructor can be provided with digital readouts of the welding performance on the CRT screen at the end of any exercise.

A permanent paper-tape printout can also be provided for the instructor at the end of each exercise which can be added to the student's performance records. The unit looks like a small TV set and can simulate the three basic types of weld joints — butt, lap and inside corner.

Enquiries should be addressed to Indea Consultants,
C/o BusinessWorld, 145 Atlanta, 209 Ceremonial Boulevard, Nariman Point, Bombay 400 021.

■ *Ranjit Hira*

The author is the chief executive of Indea Consultants, Bombay

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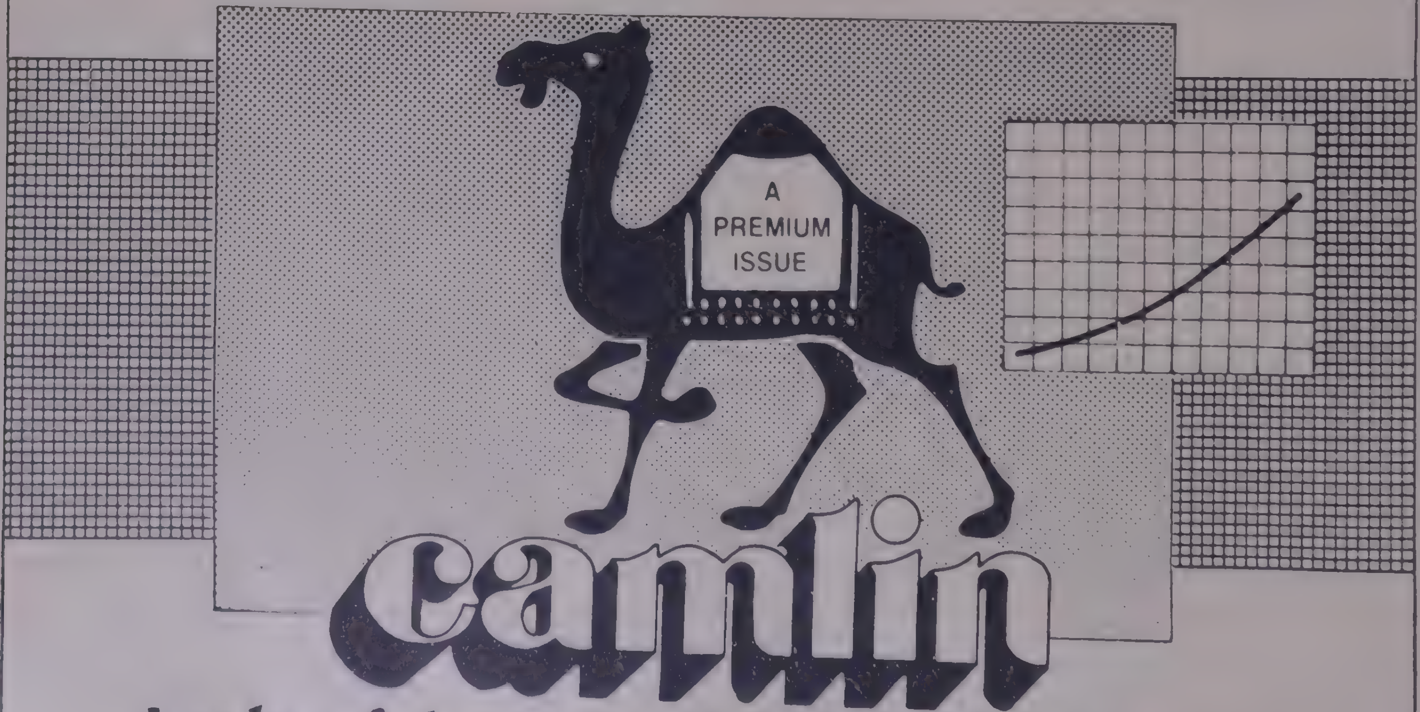

A colourful past heralds a brilliant future.

PRESSMAN

TOMORROW'S BUSINESS

2001
MANAGEMENT
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THE FUTURE NOW
by
STANLEY M DAVIS

(By Stanley M. Davis, Simon & Schuster, London, pp.243; £ 12.95)

Erudition in overdoses can sometimes be too much of a good thing. This book definitely has a point to make. But unlike the current crop of management tomes which concentrate on doing away with obfuscation, Davis makes a virtue of being difficult to understand at times.

There is possibly a reason for this. As the author himself admits, at a young age he was "terrified by science and bored by technology." His courtship of these very subjects in later years may have removed the distaste he had, but certainly not the awe he evidently held them in. The result is that we have such profundities as: "If the whole exists in every one of the parts, as well as in the sum of them, then what space does the whole occupy? If the whole is everywhere, it is, equally, nowhere. The whole has no space dimension to it. If this is always so, if it occurs all the time, then the whole has no time dimension either."

The object is not to belittle the author's thesis but this riddle is best left for those who read the book. What Davis is trying to say (and despite occasional philosophical excursions, he does a fairly successful job of it) is that it is necessary to rethink the definitions of time, space and matter in shaping tomorrow's business and organisation.

The first is relatively simple: a phenomenon we are witnessing already. What it boils down to is reducing the time lag between conception and consumption. On a product and services plane there has been a concerted effort to achieve this. Over five years, Matsushita's refrigeration factory reduced its average manufacture time from 360 hours to less than three hours. Likewise *USA Today* can accommodate news reports till as late as 2 am while the first papers roll off the presses by 3 am. The industry average, on the other hand, is 11 pm and 1 am.

Organisational strategy. That's perfectly comprehensible: the problem arises when Davis tries to apply the theory to organisational strategy. The organisation, he says, always lags behind strategy because the latter is rooted in the present or, given an inefficient management, in the past. His solution: "to lead from a place in time which assumes you are already there, and that is determined even though it hasn't happened yet."

Sans the semantics what this means is that strategy should be intuitive and innovative. The strategy should come out of the manager's actions and not vice versa. This could well have been recommended in the entrepreneurial age, but how far the megacorporations of tomorrow can implement it is anybody's guess.

From time to place is a short hop, step and jump. The first thesis is that products are increasing in complexity but decreasing in size. Today an encyclopedia fits into a 3.5 inch compact disc. The first desktop calculator had to use the empty space under the table to conceal its innards. Now a machine with the same capacity may be carried around in one's wallet: the only reason why it does not get any smaller is that human fingers would not be able to manipulate it

On an organisational scale, the ultimate shift occurs when the producer of the goods or services moves into the home space of the consumer as, for instance, has happened in electronic home banking. The meaning of the market "place" is changing for both buyers and sellers: Coca-Cola today no longer focuses on shelf space: it is looking in terms of "share of stomach." And the term "share of mind" has already passed into the marketing lexicon.

As far as internal structure goes, the key factors will be the linkages and not the component units of the organisation. In other words, with the revolution in communications, the traditional concepts of hierarchy will have to give way to sleeker outfits: size is less important than the quality of assets in relation to their earnings Have not the corporate raiders like T Boone Pickens already proved it?

The third shift is the move to the "no-matter" stage — the victory of the intangible over the tangible This is nothing new. Years ago Charles Revson, founder of the Revlon Co had declared "In the factory we make perfume, in the store we sell hope."

ANY TIME

In banking, too, the customer gains by being able to bank "any time." Less than a century ago "bankers' hours" generally meant from 9 to 2. Gradually banks extended their hours and now, with the advent of automatic teller machines (ATMs) in the eighties, most banking can be done literally any time of the day or night. No longer need we stand in line to cash a check, waiting for a clerk to take down the information from two forms of identification. Today, our credit card can be inserted into a little credit-checking machine by the register, and MasterCard's Banknet internal telecommunications system will clear such a transaction in only two seconds in the US and eleven seconds worldwide.

NO MATTER

Shaving in an agrarian economy was done with a straightedge razor, the safety razor of the industrial economy was invented by King Gillette, but the disposable razor is the no-matter creation of the new economy. In the photography business, film and cameras seem to be competing with each other for which one will make no-matter out of the other the fastest.

Like the disposable razor, Fuji came out with a disposable camera. For under $7, the consumer buys a roll of 35 mm ASA 400 film, housed inside a throw-away camera of top quality. They've sold millions of them in Japan, and have entered the US market this year. Kodak apparently had the technology but, deeply steeped as it is in industrial paradigms, didn't see a market for the no-matter product until now. Viewing no-matter as a resource allowed Fuji to be proactive; and not seeing it that way kept Kodak in a reactive mode.

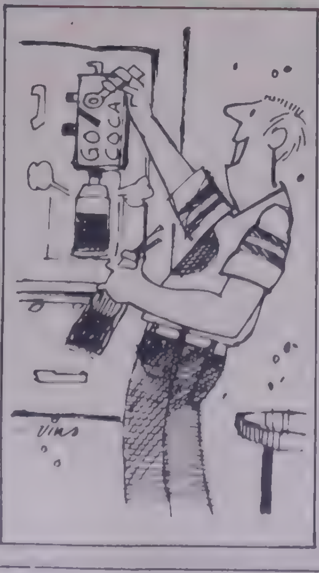
Psycographic segmentation. This has gradually resulted in psychographic segmentation replacing demographic segmentation. (It is an apt commentary that such methodology is only now coming to India 25 years after its acceptance in the West.) In the US, this has been honed to a science. Fingerhut, the direct mail order company, has even concluded that people using a middle initial are a better credit risk than those who don't.

The organisation of tomorrow could well take some clues from this shift to the intangible. Some signs are already evident. Consider Lewis Galoob Toys which notched up sales of $58 million in 1987. What makes Lewis Galoob peculiar is that it has no design department, yet it constantly comes out with new models with the help of outside experts. It has no manufacturing base, the company banks entirely on contractors in Hong Kong. It has no distribution network or sales team. It does not even collect its own accounts, banking instead on Commercial Credit Corporation, a factoring company that also sets its credit policy.

The other feature of tomorrow is the move towards "mass customising." In the early industrial times it was standardisation which held sway. The doctrine was epitomised in Henry Ford's offer to the customers of his cars: "You can have it in any colour, as long as it's black." Today you can have any colour, black is no longer beautiful. The slogan of the future will be: "Every buy is customised, every sale is standardised."

Mass-produced houses. Consider how the Japanese go about ordering mass-produced houses: "The process begins by sitting down with a sales representative for a couple of hours and pretty much designing your own home on a computer screen. You choose from 20,000 different standardised parts, like life-sized Lego blocks, and you can put those parts together pretty much as you want. Shall we add a foot to the length of the living room? No problem. A small addition to add a Jacuzzi in the left corner? Presto... Just press the button and the computer will make necessary adjustments in the plans and materials needed."

ANY PLACE



Another example, and one that has been around for many years, is adding water to dehydrated or condensed products. For years, Coca-Cola was sold at soda fountains, where the syrup was mixed with water in the retailer's space. Recently, Coca-Cola executives debated whether to build home dispensers into refrigerator doors, next to the ice-cube and ice-water dispensers. Since water takes up the largest volume of the product, they would be reducing the product space tremendously, cutting costs in bottling and distributing, enhancing the value of the refrigerator, involving the consumer in the end stages of manufacture, and probably increasing consumption. Sodastream, a UK company, had a variation on the idea; they sold a cartridge that would add carbonation to any liquid, a very cheap way to make your own sodas.

In the future, salesmen will be taking customised orders at the sales point (salesman is a bit of a misnomer because it will probably be a computer serving as the interface). At the manufacturer's end there will be a flow of orders coming in from different centres so it will be possible to achieve some sort of economies of scale. Besides the technologies of tomorrow will enable production of specialist items at a fraction of today's costs.

Where does all this leave us? Frankly, a shade confused. The author once posed a question to a CEO of a very large company: "What do you worry about most on your job?" The answer was: "I worry most about what my people don't know that they don't know." After having gone through the book there will be many still worrying about what they are supposed to now know.

(This book is available at a special price of Rs. 225 from its distributors UPS Publishers' Distributors Ltd., 5 Ansari Road, P.O. Box 7015, New Delhi 110002)

■ *Parthasarathi Swami*

HOTELIER EXTRAORDINARY

One businessman is full of beans these days: Biki Oberoi, the dapper hotelier who runs the 27 hotel,6,300-room Oberoi chain — one of the very few multinational concerns of Indian identity. Of late, in a rare and unexpected display of largesse, the government has generously bestowed a series of favourable dispensations upon the indigenous hotel industry. Oberoi will be a prime beneficiary.

The most recent of these friendly diktats is an income tax exemption allowed on foreign exchange earnings. India's — and Asia's — no.1 hotel magnate is predictably pleased as punch. Last year, 61% of his flagship company, East India Hotels' income of Rs. 65.9 crores had been earned in greenbacks. "Now both our bottomline and cash flow will improve. It's the best thing the government has done," exults Oberoi.

Globetrotter Biki Oberoi can hardly help it if he gets labelled a bon vivant. But in reality, he is a bit of a workaholic and more of a recluse than a socialite

For him, it is no doubt a fortunate coincidence that the promise of happier times lies ahead just when the Oberoi group is expanding its home base. Two new properties were opened in 1986 (Bombay and Bhubaneswar), one in 1987 (Hyderabad) and one this year (Madras). Meanwhile, construction work has begun at a downtown site in Bangalore. The Oberoi, New Delhi, and the Oberoi Grand, Calcutta, have received massive facelifts. In the medium to long term, Oberoi nurses ambitious plans to capture additional market niches in segments other than the super deluxe category. "I see boundless opportunities ahead," says an enthusiastic Oberoi.

CUT-THROAT COMPETITION

But whether at home or abroad, there are many takers for these opportunities. As such, competition in the hotel industry is nothing short of cut-throat. Pitted as it is against American and European big leaguers, the Oberoi group has nevertheless kept its flag flying with panache. "We are amongst the best, wherever we are. I can't say we are the best, because that would be presumptuous," he says.

As is well known, the Oberois have long since terminated their earlier tie-ups with the Sheraton Corporation and Intercontinental Hotels and have taken on heavyweight competitors such as these on their own stomping grounds. According to Oberoi, it is a matter of policy that "wherever there is an Oberoi hotel it must be among the top." He adds: "If a hotel is not meeting our standards, we'll either upgrade it, sell it or close it. I'm very clear on this."

And this is not mere rhetoric. Towards the end of 1986, when Oberoi discovered that the 600-room Imperial in Singapore "was slipping in its standards," and that the property

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CONTOUR ADS-NIA-28G/88

owner was "reluctant to put in money for upgradation as per our agreement," he opted out, even at the risk of giving up a presence in Singapore. Similarly, in 1986, the group gave up the management of a resort hotel on the shores of Lake Fayoum in Egypt. Declares Oberoi: "There can be no compromise either on service or on the quality of accommodation."

HARD DECISIONS

Clearly, Biki Oberoi the chief executive can be tough as nails when it comes to taking hard business decisions in the interests of his family enterprise. Yet, paradoxically, it can hardly be said that he was ever formally groomed and prepared for this job. For one, Biki's legendary father, Mohan Singh Oberoi (88), played an active role as group chairman till well into his seventies, leaving his two sons Tilak Raj (Tiki) and Prithvi Raj (Biki) to play only supportive roles. It was only after Tiki's untimely demise in January 1984 that Biki perforce stepped frontstage to face the arclights.

Even so, his formal designation as vice-chairman makes it clear as to who is the boss. "My father still has a veto power over all decisions, minor or major. Only, he doesn't have to exercise it because I consult him on all policy matters," says Biki.

Father and son live in adjacent villas in a sprawling 80-acre farm on the outskirts of New Delhi. Villa Ashiana, Biki's classy and tastefully appointed one-bedroom home, has glass walls, and so has his office complex a step away. (He rarely goes into town.) The idea is to include, not exclude, the surrounding greenery of lawn and foliage. The quintessential country squire, Biki takes time off to walk around the farm every day, inspecting the vegetable garden, the poultry farm or the stables where his nine horses are kept.

Although he has given up shooting and riding, his fondness for horses remains. A patron of polo, Oberoi hopes to field his own team this winter. Horses apart, Biki is also a connoisseur of cigars, vintage cars and wines, amongst others. He dresses impeccably, if conservatively, wearing suits handmade by his favourite bespoke tailor on Saville Row.

For over half the year, of course, he travels: "There is no set pattern, but I try and visit each property at least once a year. Nowadays I find I can't be away from office at a stretch for too long, so I tend to take more trips of shorter duration each."

THE BAGHDAD-BASED BABYLON OBEROI

> *Biki Oberoi is a large-hearted person... He is not the sort who will allow rules to come in the way of solutions. This lends him a streak of imperiousness*

THE OBEROI PALACE, SRINAGAR

In the hotel line, says Oberoi, the one person who cannot be bluffed is the customer. As such, service is the name of the game. And the secret of maintaining the standards of the "Oberoi brand of service" lies in having a motivated workforce of personnel who keep smiling even though their feet might be aching. Confirms Oberoi: "Our people are our biggest asset. Looking after them is one of my major priorities. I'd say close to half my time goes on personnel related matters, followed by financial planning." Colleagues say that contrary to popular impressions, Biki Oberoi is "very much of a nuts and bolts manager" who goes into issues very deeply.

THEORY Y MANAGER

Recalls a former colleague of his who left the Oberois some years ago to switch to academia: "The lasting impression that I have of Biki Oberoi is that he is a large-hearted person. In management jargon, he is decidedly a Theory Y manager who cares for his people. He is also not the sort who will allow rules and procedures to come in the way of solutions. This aspect of his character lends him a streak of imperiousness."

An inveterate globetrotter, Oberoi can perhaps hardly help it if he finds his image stuck with labels like *bon vivant* or *bon viveur*. As a matter of fact, the real life personality is a bit of a workaholic ("I put in a 12-hour working day") and more of a recluse ("I don't have time to go out") than a socialite. Says Oberoi: "I attend very few parties. They are usually entirely unproductive, where only politics and political scandals are discussed, and I'm interested in neither." Incidentally, unlike his father (who served two terms as a member of Parliament) Biki says he has no political ambitions whatsoever.

Oberoi prefers to stick to the knitting — doing what he knows best and enjoys most. And with the government in a helpful mood, thanks to tourism-related dollar revenue prospects, now is the time for hoteliers to get going with sheafs of expansion plans. The adrenalin is flowing. Quite obviously, for Biki Oberoi, busy — and exciting — days are ahead.

■ *Sujoy Gupta*

MANAGEMENT STRATEGY

THE REMOULDING OF GE

George Varga used to play inside-forward for one of Hungary's top soccer clubs, Ferenzvaros. A frequent opponent was that legendary wizard with the ball, Ferenz Puskas. The experience gave Varga extraordinary stamina and an unusual ability to think and act quickly.

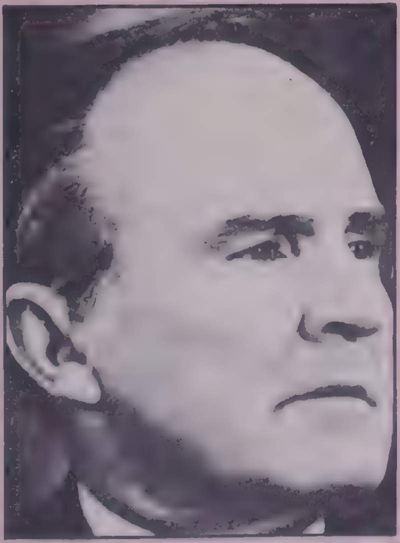
Varga has honed those qualities ever since he emigrated to the US 30 years ago and went into business. Nowadays he needs them more than ever. For he is a member of one of the most tightly-stretched and fast-moving management teams in the world today: Jack Welch's crack troops at General Electric.

Under the controversial Welch, GE has been shaken to its core, mercilessly stripped back, and remoulded. From an industrial empire of over 40 businesses, mostly in related areas of electrical engineering and electronics, it has been turned by opportunistic acquisition and vicious pruning (mainly of manufacturing units) into a conglomerate-like collection of 18 generally larger businesses, ranging from aero engines and factory automation to financial services and television stations. Only 14 of the businesses are defined as "key" — the future of some of the others, including the semiconductor and computer-aided design units acquired seven years ago, is far from certain.

Dramatic change. GE's management style and structure has changed even more dramatically than its business portfolio. From being a staid organisation noted for complex organisation, intensely thorough strategic planning, and carefully-laid actions, it has been wrenched into a much leaner and more aggressive form. These days, its management hierarchy is much flatter and communication lines far shorter. Strategic plans, which used to be 100-page, ultra-precise documents, are much looser and slimmer — sometimes only a tenth the size. No longer the work of teams of planners in ivory towers, they are now generally formulated by line managers like George Varga, who heads GE's $225 million European business in speciality plastics products.

This streamlining of the planning process, along with the new spirit of urgency which drives all Jack Welch's lieutenants, enables actions — frequently unpleasant in today's GE — to be decided in days, not months or even years as they were before.

The new GE is very far indeed from the company which in the sixties and seventies was a uniquely fertile breeding-ground for "model" strategy and organisation concepts which were copied across the world by enterprises of all shapes and sizes; in many cases, they are still in the process of being installed. "Strategic business units" (SBUs), "sectors," and portfolio planning techniques such as the "investment priority screen" all owed their birth, entirely or in part, to the old GE. Yet Welch's creation has either abandoned them entirely (SBUs and sectors) or downgraded them to secondary status (portfolio techniques).



Welch doesn't meddle – but he has a tremendous ability to absorb, remember, grasp quickly – and ask searching questions

What is life really like inside the new GE? Has its traditional ability to develop and sustain long-term strategies been replaced completely by a process which fosters only naked opportunism and flight from the Japanese, as Welch's many critics claim — especially since last year's sale of the $3 billion GE-RCA consumer electronics business?

Or has he, true to GE's long tradition of pioneering management techniques, found an unusually effective way of running a giant, $39 billion corporation almost as if he were an entrepreneur in charge of a set of recent start-ups? If his approach does work, can it outlast him? And what are the implications for other companies, both large and medium-sized, which have copied the old GE model, or are still just starting to do so?

Most obvious innovation. To the outward eye, Welch's most obvious innovation has been a radical simplification of GE's bureaucratic structure. When he took over as chairman and chief executive in the spring of 1981, the company was divided for planning purposes into 43 "strategic business units," an arrangement which had been introduced a decade earlier as an overlay across GE's established organisational hierarchy of (from the top-down) groups, divisions and departments; some SBUs were identical with existing groups, but the boundaries of most of them paralleled divisions or departments.

All 43 SBUs reported directly to GE's longstanding corporate executive office (chairman and two or three vice-chairmen).

As if this were not complicated enough, in the late seventies an additional top layer of six "sectors" had been added to act as a filter between the corporate executive office on the one hand and the groups and SBUs

MANAGEMENT BY FEAR?

In his more polite moments Tom Peters calls it "management by fear," and predicts executive burnout followed by corporate disaster.

Jack Welch's style at General Electric is certainly tough and ruthless. But has life under his chairmanship become as unpleasant as Peters, the outspoken co-author of *In Search of Excellence*, claims? And is he right that Welch's way of doing things will eventually torpedo the company, having destroyed many hapless executives in the process? Even if this Armageddon fails to arrive, does GE's new management style depend totally on one man?

Welch's generals and lieutenants differ somewhat in their response to Peters' allegations of fear. But they share much the same view of their leader's indispensability.

Vincenzo Morelli, chief executive of General Electric-CGR, GE's medical systems business in Europe, says that "just because Welch is such an intelligent and fearsome character doesn't mean it's management by fear. But he does scare a lot of people — even good ones."

"Welch has rid the company of bureaucracy and substituted it with a bunch of good people who can discuss strategy crisply, and push the ideas up and down," says the 33-year-old Morelli (a star consultant for the Boston Consulting Group until 1983, when he joined GE, he is now in charge of a business with annual sales of $ 900 million).

George Varga of European plastics, who has been with GE for 25 years compared with Morelli's five, says "that stuff about management by fear is nonsense — except for people who have something to fear." But then he adds revealingly that "fear is part of any employer-employee relationship — that's normal. You have to be very competent here." The boss of an equally successful GE operation in the US admits that the word "fear" could only apply to the managers of those businesses which Welch in 1983 lined up publicly for possible sale (several have since been divested), but he says: "I look on it more as realism."

Varga and Morelli both doubt whether GE could be run in quite the way it is by anyone other than Welch — and, by implication, whether another company could borrow GE's current management style. Says Varga: "It fits his intellectual capacity, and might not fit someone else's." He stresses that "Welch doesn't meddle — but he has a tremendous ability to absorb, remember, grasp quickly — and ask searching questions."

"The system works well only because of one person — Welch," Morelli says frankly. "He's phenomenally smart, with an amazing memory, and he sees through things. He's an intuitive strategist, with a very good feeling for strengths and weaknesses. He has a sharp financial mind. He understands technologies easily. He's capable of communicating right down through three levels. And he has the ability to manage 18 different businesses. He's a unique phenomenon." All the same, Morelli thinks Welch is aware that his style could not stretch to the management of many more businesses within GE — a factor that will presumably influence the company's future growth and divestment programme.

Without Welch, says Morelli, "we'd have to put in a whole bunch more systems, with a more proactive central staff and more precise and complex procedures. We'd miss his synthetic and organisational ability."

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on the other. The purpose of the sectors was two-fold, as the chairman of the time, Reginald Jones, subsequently made clear: to spread the load on him of reviewing 43 detailed plans a year; and to help him and GE's board of directors compare the top management abilities of the six candidates to succeed him on his impending retirement; it was from this process that Welch emerged triumphant in 1981.

A third role which sectors could have played — the fostering of vital coordination across business units — was neither a priority nor a byproduct of the new structure, insiders admit today. Yet at the time most outsiders assumed this was one of its purposes.

Many of GE's European and Japanese competitors have long been preoccupied with the need to create "synergy" between their otherwise independent businesses, by sharing technology, distribution channels and so forth; a number of large western companies have installed their own sector-type structure precisely for this purpose. They include 3M, the Scotch tape to computer peripherals group, and Procter & Gamble, the packaged goods giant. Until recently GE's near-religious commitment to decentralisation always got in the way of the need to exploit the many such inter-relationships which can exist within a multinational.

Dismantling sectors. During his first four years in office, Welch set about dismantling the unwieldy superstructure he had inherited. Though he quickly created two extra sectors — for the temporary coordination of several business areas as much as for the immediate career development of his chosen top executives — he dismantled the sector concept entirely in order to remove a layer of corporate management. By 1986 all GE's sectors had disappeared.

So too, a year earlier, had its sacred strategic business units — "we've expunged SBUs from our vocabulary," Jack Peiffer, Welch's senior vice-president for executive management, said at the time. Clusters of SBUs were plucked from their separate pastures and merged into what Welch calls "businesses" (most of which are roughly similar to the previous "groups" though a few are equivalent to divisions). All 18 businesses now report straight to the corporate executive office.

This is much more than just a reversion to the early seventies relationship between the corporate executive office and the entities beneath it. For one thing, the current businesses are much larger than the groups and SBUs of those days ($2.2 billion today, against under $325 million for an SBU in 1975).

More important, the streamlining of GE's structure and Welch's injection of much greater urgency and informality has transformed the nature of communication at all levels, horizontally as well as vertically; one by-product has been more coordination between businesses.

In advance of Welch's flattening of the corporate hierarchy through the dismantling of sectors, an even more vigorous "delayering" (to use the GE jargon) had been carried out within most of the businesses. Though some had always been lean, with only four levels of management in most functions, others had as many as 10; in the case of locomotives (now part of the transportation systems business), the number was slashed back from nine to five. In addition, quite a number of jobs have been eliminated through "horizontal delayering": combining two roles into one (such as finance with administration and engineering with production).

At the same time, Peiffer says a push has been under way to "broaden the span" of people reporting to a manager from sometimes under five to an average of as many as 12 — a target which is well above the number viewed as desirable by most companies; as many as 18 is not unusual in some parts of GE.

In European structured plastics, George Varga has seven direct reports, while two levels above him the US-based boss of GE's $2.5 billion worldwide plastics and materials business has a dozen. This is partly a by-product of the fact that the business has grown five-fold over the past decade without the addition of any extra management layers.

When it comes to the consultative process of setting strategy, and then communicating it, the top manager of one of GE's businesses is expected to keep in touch with as many as 300 of his people to three levels below him.

Tall order. For a busy executive in charge of an international business such as plastics, that is a very tall order indeed. Among many other pressures, it requires him or her to run a punishing travel schedule, work extremely long hours, and possess a brilliant memory for first names.

Whether at that level or at Varga's GE executives are now working at much greater stretch than ever before — those who have survived the Welch regime, that is. As Paolo Fresco, senior vice-president for international operations, puts it: "GE's culture has changed dramatically. We've moved from incrementalism to radical change, from consensus to conviction, from politeness to honesty, and from niceness to performance."

■ *Christopher Lorenz*

(By special arrangement with the Financial Times, London)

CHINA

THE WAGES OF INERTIA

China's much-criticised iron rice-bowl employment system is still thriving despite repeated attempts at reform. It provides lifelong employment and cradle-to-grave social welfare. But it also breeds lazines, indiscipline, low morale and immobility.

As a result, urban enterprises are seriously over-staffed and inefficient. Managers cannot increase or reduce staff easily in response to market fluctuations. And they complain that workers do not share their sense of urgency in what is an increasingly competitive economic environment.

Workers want more money but do not want to work harder to get it. As a result, wages and spending on staff welfare grow while productivity and much-needed investment decline. For the factory manager of an urban enterprise, his workers are a permanent liability. He lacks the power to fire and hire freely and must give in to their demands, often at the expense of production priorities.

This unmotivated urban labour force is seriously hampering the restructuring of industries. It has also generated enormous inertia and resistance to change. Price, housing and bankruptcy reforms have been difficult to implement, in part because of the longstanding dependence of urban workers on their work unit to provide a welfare safety net.

Of China's 500 million-strong workforce, 380 million work in the countryside and 120 million in cities. About 85% of the urban workers are employed by state-run enterprises. Farmers, private traders, workers in rural cooperative factories and others employed outside the state sector are working harder because of competition and greater rewards. However, the estimated 93 million state employed workers remain the least motivated and the least competitive of Chinese workers. Yet they are employed in the most important enterprises accounting for the largest share of the economy.

Small group benefited. Since 1978, Peking has used both the carrot (higher wages) and the stick (short-term employment contracts) to shake up the system. But these measures have so far benefited only a small group of highly skilled professional and well educated young people. The bulk of the urban population remains largely unmoved by the changes. Concepts such as job satisfaction, initiative, competition, dismissal and unemployment remain irrelevant to them.

The lack of a comprehensive social-welfare system outside the workplace, fear of widespread unemployment and a host of habits and values bred over four decades makes labour reform probably the most difficult of all reforms to implement. Labour reform also involves changes in social values such as equal opportunity, fair competition and individual aspirations.

"When the government first proposed labour reform, we knew it would take a longer time to succeed and would be one of the most complex because it involves human beings and not commodities," said Bai Nanfeng, an economist at the influential China Economic System Reform Institute.

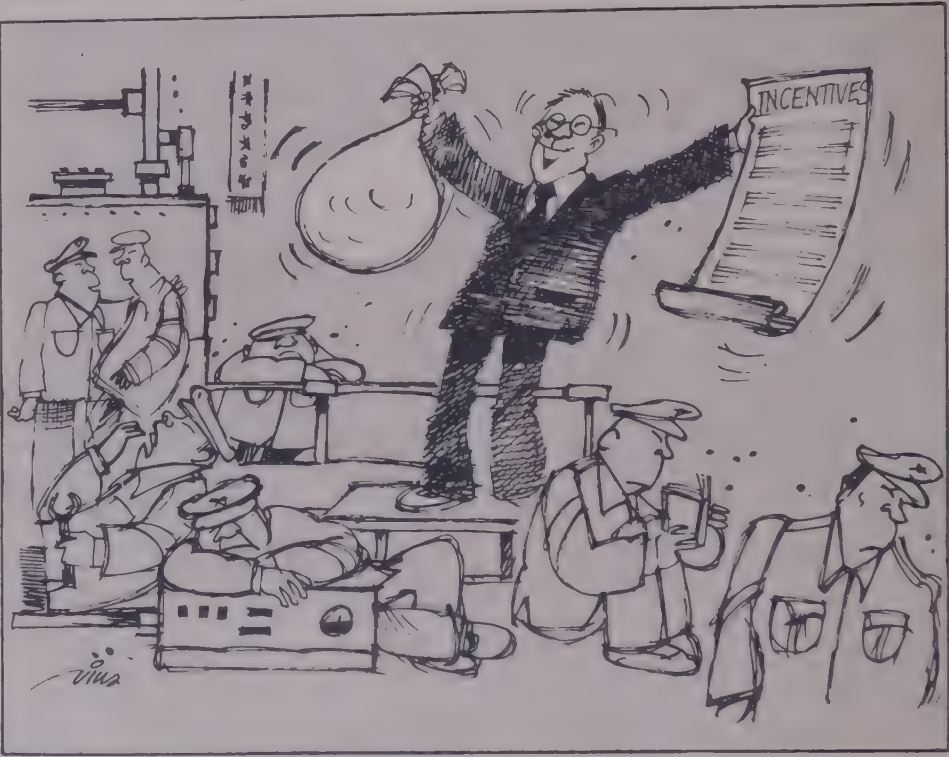
China had one of the world's most tightly controlled job-allocation systems, which was run by numerous layers of planning agencies. It decided how many workers were required to meet the growth of the national economy and assigned individuals to a particular enterprise. But, like other aspects of the planned economy, it was badly coordinated. Factories ended up with more workers than they needed while individuals were given little, if any, choice of jobs. The main concern of the system was to create jobs and minimise unemployment, rather than meet the needs of production.

> *Between 1986-90, the government has to create 30 million jobs to meet urban population needs — a daunting task that leaves limited room for radical reform*

Control system. An all-encompassing system of control involving residence permits, a confidential personal dossier kept by personnel officers, grain-ration coupons and a wide range of job-linked welfare benefits made job transfers extremely difficult, if not impossible. A worker was expected to stay in his state-allocated job for life — like an arranged marriage.

Initially, workers in the system were mobilised through political campaigns. "Seize revolution, promote production" was the official slogan a decade ago. But as the short-lived revolutionary fervour disappeared, workers became a demoralised and frustrated group. Decades of frozen wages also helped erode the traditional Chinese ethic of diligence — a virtue now found more frequently among overseas than mainland Chinese.

In the early days of reform, the government used higher wages to stimulate production. This resulted in a short burst of energy among urban workers. But it quickly fizzled out when wages grew more slowly and bonuses were paid indiscriminately to all. In late 1986, the government took another step forward. All those joining state firms for the first time had to sign short-term employment contracts — a practice long adopted in the collective and private sectors. It was hoped that such contracts would provide a disciplinary tool for managers, offer more choice for employers and employees, and promote job-mobility. But the results so far have been limited.



According to a survey conducted by the reform institute last year, 40% of workers interviewed felt the system made no difference to them. Another 6% regarded it as unreasonable. The survey also found that the already low job-mobility rate had dropped 20% because those about to change jobs feared they would suffer a change in status from permanent to contract worker. At the end of 1987 there were 7 million state-employed contract workers.

But for many workers, contracts are simply a new kind of iron rice bowl. Li Guangsheng, a director at the ministry of labour, said some enterprises were providing contracts for 30-50 years. There were also instances when workers walked out of their jobs without giving notice because they were unaware of their duties as a contracted party. Enterprises also routinely extended contracts for fear of retaliation.

Creating jobs. Between 1986-90, the government has to create 30 million jobs to meet urban population needs — a daunting task that leaves limited room for radical reform. The simplest way to create jobs is to use the old administrative method of planned labour allocation which, despite its known defects, has reduced official urban unemployment from 5.9% in 1978 to 2% last year.

What Peking has done so far is not

to abandon but to refine the old system, implementing it with greater flexibility. Some bureaucratic layers have been eliminated and employers and employees have been given some choice. New channels of recruitment have been set up, such as employment agencies and advertisements, and in addition, there are now a growing number of Sino-foreign joint ventures providing a greater range of jobs. But state labour and personnel offices still act as indispensable intermediaries in finding jobs for millions each year. The old problems of misallocation and waste persist. According to one report, enterprises are short of 15 million workers, while there are 15 million "jobless in-house personnel" in many others.

Under the improved system, the main difference to state-owned enterprises is that they can now recruit workers more often and in accordance with production needs. Previously, recruitment was limited to once or twice a year. Enterprises can also interview job applicants and generally have a greater say in recruitment. But they are still subject to constant supervision and have to seek official approval for important employment policies.

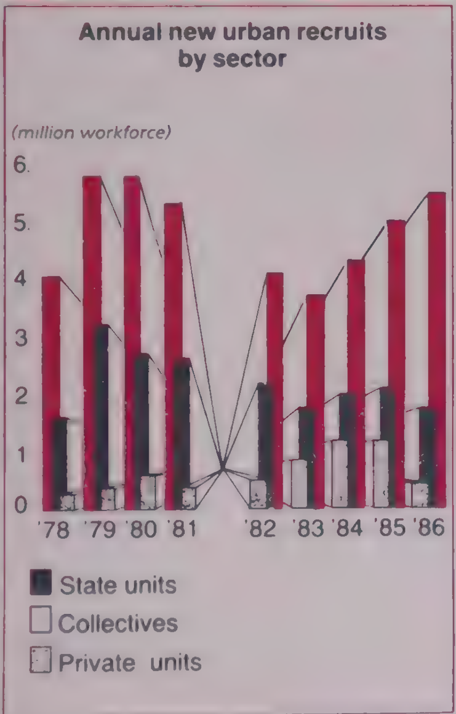
Over the past two years, employment agencies offering employees and employers choices outside the scope of the state plan have been set up. At the agencies, enterprises put up recruitment notices while job applicants specify their job demands and wait for an interview. But these agencies, which are supervised by the ministries, are small and only open to certain types of workers. There is as yet no active, sizeable free labour market in China.

While there are now markets for raw materials, capital and other factors of production, a true market in labour has been slow in coming. Although there are now regulations permitting state-employed workers to change jobs under certain conditions, most find it difficult to do so. Life in China is organised around one's workplace, which provides everything from housing and medical services to schools, ration cards and even free film tickets. It provides an individual with an identity and place in society. Changing a job involves major upheavals. The family has to move to a new staff dormitory and the children have to attend the nursery attached to the new workplace.

Alternative facilities. Since the introduction of the contract system, the government has promoted the setting up of alternative social-welfare facilities to take over some of the duties of the workplace. Contract workers pay 3% of their salaries into a retirement-insurance fund, while state-owned enterprises contribute 11.5% of their annual wage bill to a national pension fund. Unemployment assistance and labour insurance are also now available to the unemployed or self-employed. But many of the social functions carried out by the workplace cannot be easily replaced.

Economists have long called for the setting up of alternative institutions to take over the social duties of enterprises so that they can concentrate on production. Such a change, however, would involve a radical overhaul of the organisation of Chinese society — something which goes far beyond the current reform agenda.

CHINA'S NEW URBAN WORKFORCE



Until recently, most Chinese did not have the right to resign. Collective discipline was regarded as more important than personal aspirations. It was only a few months ago that cities like Peking began issuing regulations spelling out the procedures that allow workers to change jobs. Even so, senior and highly skilled personnel cannot move without good connections or possible confrontation with their units — quitting is a tiresome battle which many prefer to avoid.

"Those who want to leave are the ones managers want to keep most, while others who stay for a long time are the ones every unit wants to get rid of," says economist Bai.

Dismissals unpopular. But dismissals are rare and extremely unpopular, not only with employees but also with employers and local governments. Workers consider employment a basic civil right and a state responsibility. Factory managers, most of whom are hired on short-term contracts and subject to the supervision of a workers' council, do not want to make enemies by firing individuals. Local governments, meanwhile, are worried about the social consequences of large-scale unemployment. Only those who have committed serious crimes are sacked. Education and self-criticism are the preferred methods of punishment.

China's iron rice-bowl also continues to operate an egalitarian wage system, or "eating from the same big pot" as it is known to the Chinese. Although everyone recognises the drawbacks of the system, most continue to cling to it for ideological reasons. The national wage scale, which governs the wages paid to 93 million state-employed workers, still rigidly grades workers and personnel according to seniority and not performance. Peking does not want to promote income disparities through the national wage system.

Egalitarian pressures also limit the use of piece rates and other payment-by-result schemes. Bonuses, once used to encourage workers to do more have become part of the regular pay package. Factory managers seldom want to risk widespread opposition by rewarding a few outstanding workers.

Successive reforms have so far made little impact on the iron rice bowl. The best hope for change appears to be the large number of new entrants in the job market. Young, inexperienced workers are relatively untarnished by the old system. Unlike their parents, they aspire to more than a secure bowl of rice

■ *Louise do Rosario*

(By special arrangement with the Far Eastern Economic Review, Hong Kong.)

BENEDETTI Vs AT&T

Italian financier Carlo de Benedetti has just upped his stake in Olivetti, the data processing equipment maker. Benedetti, who is chairman of Olivetti, already had a 14% holding. In his current purchases, mainly on the Milan bourse, he has increased this to 20%.

One of the main reasons for this acquisition seems to be the growing differences between Olivetti and American Telephone & Telegraph (AT&T), which with 22% is Olivetti's single largest shareholder. The bone of contention has been the choice of computer technology. The Italian company, which last year launched a line of new microprocessors, seems poised to adopt technology from Motorola, which is AT&T's rival in this area.

According to Benedetti, Olivetti no longer needs a major partner. But the inside story is that AT&T has been trying to take management control of the Italian company which Benedetti is evidently going to fight tooth and nail. A parting of the ways is now on the cards.

BENEDETTI: TOUGH FIGHT

FISHY MEET

ON-THE-WATER AQUACULTURE DISPLAYS: INTERNATIONAL GATHERING

The Aquaculture International Congress & Exposition is all set to make a splash in Vancouver, Canada, on 6th September 1988. The four-day meet will involve participants from all over the world. There will be transfer of information and technology in aquaculture production and supply of feed equipment and other services to fish farms and hatcheries.

The meeting will, for the first time, have on-the-water aquaculture displays. This will be at the Discovery Building at the former EXPO 86 site. Over 100 invited speakers, experts in their respective fields, will be addressing the august gathering which has been termed the largest-ever meet of aquaculture specialists. India, Thailand, China and Chile number among the countries from which government and industry spokesmen are invited.

Visitors can expect to see many multinational supply organisations which are presently expanding into aquaculture throughout the world. Displays will showcase their latest achievements in the science and technology of fish feeds and farm equipment. Experts will be on hand to discuss individual requirements and the services that each farm provides.

CINEMATIC TIE-UP

Two leading film companies in Sri Lanka and Malaysia are collaborating to tap the lucrative Asian television commercials market, currently dominated by Singapore, Japan and India.

The Malaysian Cine Location Services is now joining hands with Sri Lanka's Taprobane Films to both service foreign TV commercials film-makers and to make commercials themselves for sophisticated foreign clients.

According to Chandran Rutnam, managing director of Taprobane Films, cooperation between the two countries could mean the capture of a commercial TV market worth around Rs. 3 crores. "However, our showing must be top class and the standards excellent. Mediocrity will find no place."

If the deal clicks, the new outfits can easily threaten the Asian giants. Says Rutnam: "The rupee exchange rate, which is now attractive for the dollar, may attract foreign clients, but unless we back that up with superior workmanship they will not come back."

BIG BLUE'S CLONEBUSTER

Big Blue, as International Business Machines (IBM) is known in the trade, is trying to collect retroactive royalty payments from manufacturers of "clones" of its previous generation of personal computers. IBM has often been left holding the dirty end of the stick in the past because no sooner had it launched a new PC, a host of smaller manufacturers would come out with compatible, copycat models priced much lower. This differential was possible because the clone manufacturers did not have IBM's high R&D costs.

Now, however, IBM is at last in a position to crack the whip. Its latest PS/2 personal computer technology is proprietary. Dubbed the "clone killer" it can only be obtained under licence. (The previous generation of IBM PCs was made largely from standard parts and software available to competitors.)

IBM has now demanded that clone manufacturers pay up for their past sins if they are to be allowed to avail of the new knowhow. The $500 million IBM has demanded as retroactive royalty payments is by no means chicken feed and the US personal computer industry is girding itself for an exchange of acrimony.

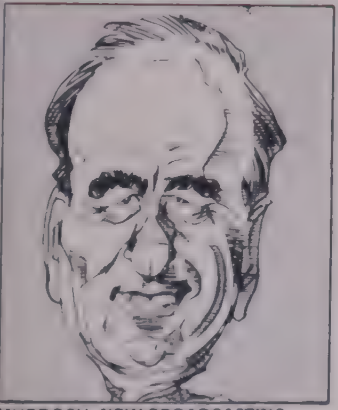
BANKING ON MERGER

The two biggest banks in Spain — Banco Central and Banco de Credito Espanol (Banesto) have decided to merge. This will in effect create the largest financial institution in the country and also a big league player in the European banking league.

One of the principal reasons for the merger was the fear that the two banks would get swamped by larger competitors and be forced into a shotgun marriage at some later stage. The combined stockmarket capitalisation of the new group will be $8.23 billion (Rs. 10,699 crores).

The merger, which will be achieved through the creation, over three years, of a holding company, is likely to lead to important regroupings or mergers in Spain's insurance, construction, oil refining and electricity generating industries where the two banks control large market shares.

MURDOCH'S FORAY



MURDOCH: NEW BROADCASTING CHANNEL

Media baron Rupert Murdoch is planning to set up a powerful broadcasting centre on the Isle of Man. This will be the basis for a new commercial broadcasting channel aimed at the greater Manchester area of the UK and beyond.

The advantage of being on the Isle of Man is that it does not come under the UK authorities. Thus International News, of which Murdoch is the chairman, will not come under the regulatory regime of the UK government.

Murdoch, however, does not want to be a pirate broadcaster. According to him, he would want at least the acquiescence of the British government to go ahead with the plan. But, as things stand, few hitches are expected.

GOLD ON THE SLIDE

World gold prices are due for a decline soon because of China's decision to sell more of the precious metal to ease its debt burden. The state-run gold company has said that output this year will be 10% higher than what it was last year. The 1987 figures were also 10% more than 1986.

China is already among the six top gold producing countries and it seems to have set its sights higher. Under the country's seventh five year plan for 1986-90, some 139 mines are to be opened or expanded. The government last year signed several contracts for the purchase of advanced mining equipment and doubled the soft loan fund for mining development.

Chinese leaders believe that the future sales of gold reserves will provide a cheap means of earning foreign exchange to ease debt-repayment burdens. However, sudden surges of Chinese metals and mineral sales have already had an impact on international markets. It is feared that more such fluctuations are on the cards.

GOLIATH OF THE SEAS

THE 'SOVEREIGN OF THE SEAS': FLOATING LUXURY

The biggest liner in the world — the Sovereign of the Seas — is now afloat. Built at a cost of $175 million by the French shipyard — Chantiers de l'Atlantique — the liner was completed in 29 months. With a tonnage of 74,000 it replaces the Norway (earlier known as the France) as the biggest liner on water.

The new ship was inaugurated in Miami, Florida, early this year. It is a luxury floating hotel entirely covered in copper, marble and glass. It is 266.5 metres long and as high as a 17-storey building. It can accommodate about 2,660 passengers at a cost of 1,500 francs (Rs. 3,420) per person per day.

The construction of this ship has brought fresh life in the French shipbuilding industry (which has been as crisis-ridden as its counterparts in the rest of the world). Chantiers has, in fact, taken up the construction of a new liner which is a shade smaller than the Sovereign of the Seas.

LARGEST AIRCRAFT BUYER

An unknown company has made its way into the record books as the largest single purchaser of jet planes ever. International Lease Finance, a 15-year-old California outfit with a staff of only 16, has just placed orders for 100 Boeing aircraft with options on 24 more and 30 Airbuses plus 16 options. If all the options are exercised, the deal will work out to $7 billion (Rs. 9,100 crores).

The *modus operandi* of the company is to lease out its aircraft to regular users like national airlines. By making huge commitments now, the company is guaranteeing favourable delivery timings for its lessees in the nineties. The big order is based on expectations of a boom in the air transport industry in a few years' time.

So far, things seemed to have worked out fine. Last year, the company reported net profits of $51.2 million, up 55% over the previous year. In its 15 years, the company has leased out 230 aircraft to 70 lessees with only two of the deals having gone sour. Now, with a much larger commitment, the risks have increased considerably but so too have prospects of additional profits.

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High purity, high performance castable refractories are now being manufactured in India by Carborundum Universal Ltd. in technical collaboration with Morgan Refractories Limited UK.

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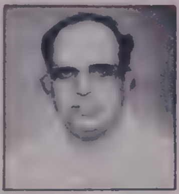
P.K. SANDELL has been elected as the chairman (eastern regional branch) of the Institute of Indian Foundrymen. He is the managing director of Josna Casting Centre Orissa (P) Ltd

K.S. SHAH has been appointed as the managing director of Astra-IDL Ltd. Prior to this, he was director (finance) and deputy managing director of May & Baker (India) Ltd.



VINAYSHIL GAUTAM has been elected as the president of the Indian Society for Training & Development. He is a professor (management) at the Indian Institute of Technology, Delhi.

P.K. GUPTA has been appointed as the president and chief executive of J.L. Morison (India) Ltd.

PRADEEP PANT has taken over as general manager (sales) of Indian Shaving Products Ltd. Earlier, he was its marketing manager.

K.V. SHANBHOGUE has been appointed as the chairman, legal committee, Institute of Chartered Secretaries & Administration India Association. Currently, he is the general manager (corporate and legal) of Bata India Ltd.

M.S. UNNINAYAR has joined Steel Furnace Association of India as its executive director. Formerly, he was a member of the Central Board of Direct Taxes and additional secretary in the ministry of finance.

V.S. GOPALAKRISHNAN, IAS, has taken over as the managing director of the State Industrial & Investment Corporation of Maharashtra Ltd.

D.K. MEHRA has taken over as the general manager of Batliboi Impex Ltd.

ARVIND SHARMA has been appointed as the executive director of Chaitra Advertising Pvt. Ltd. and Chaitali Advertising Services Pvt. Ltd.

HASUBEN GURJAR has been appointed as a director of the State Bank of Saurashtra. She is the first lady director of the bank and is currently the principal of S.L.V. Arts & Thakore Commerce College, Ahmedabad.

M.M. PURI has been appointed as the chairman and managing director of Mazagon Dock Ltd. Earlier, Rear Admiral Puri was the assistant chief of materials at Naval Headquarters, New Delhi.

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY COMPANY	FACE VALUE (Rs.)	YEAR ENDED	SALES (Rs.crores)	EQUITY CAPITAL (Rs.crores)	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	COMPOUND GROWTH OVER 5 YRS (%) IN DIVIDENDS	EPS (Rs.)	P/E 27 MAY	P/B.V 27 MAY	PAYOUT	SHARE PRICE 27 MAY (Rs.)	MK.CAP 27 MAY (Rs. crores)	%CH.CAP Over 14 MAY
I.	**AUTO ANC & TYRES**													
1	CEAT	10	30/06/87	316.07	9.32	36.21	17.93	13.20	4.92	2.03	0.19	**65.00**	60.58	18.18
2	CHLORIDE	10	31/08/87	107.50	20.66	13.29	22.23	4.46	15.25	4.40	0.70	**68.00**	140.49	4.62
3	MICO	100	31/12/87	183.73	38.05	18.24	10.22	33.88	15.94	2.48	0.35	**540.00**	205.47	7.46
4	MODI RUBBER	10	30/04/87	358.60	10.38	4.77	5.84	6.06	8.58	0.97	0.41	**52.00**	53.98	1.96
II.	**BASIC CHEMICALS**													
5.	NOCIL	100	31/12/87	288.10	36.00	49.84	16.14	48.22	9.75	1.85	0.41	**470.00**	169.20	2.17
6	TATA CHEM	10	31/03/87	193.56	27.19	18.25	20.43	8.31	9.09	1.59	0.30	**75.50**	205.28	14.39
III.	**BASIC METALS**													
7	HINDALCO	10	31/12/87	372.05	17.81	39.94	9.89	11.48	6.97	1.87	0.15	**80.00**	142.47	5.26
8.	INDIA FOILS	10	30/06/87	104.90	4.38	26.03	18.83	7.19	9.32	1.63	0.29	**67.00**	29.35	0.00
9.	MUKAND IRON	10	30/06/87	266.30	9.82	13.80	7.04	8.14	11.18	5.91	0.22	**91.00**	89.36	0.00
10.	TISCO	100	31/03/87	1416.39	115.30	9.34	7.59	75.91	9.78	1.77	0.24	**742.50**	856.10	2.41
IV.	**CEMENT**													
11	ANDHRA CEMENT	10	31/03/87	53.94	9.51	-13.80	38.04	0.73	16.10	0.53	1.38	**11.75**	11.17	23.70
12.	ACC	100	31/07/87	760.92	39.88	-57.92	-6.50	0.85	243.53	0.56	11.74	**207.00**	82.55	24.32
V.	**CHEM INTERMEDIATES**													
13.	BASF	10	31/12/87	59.30	2.84	10.15	15.88	7.25	16.14	2.38	0.28	**117.00**	33.23	5.43
14.	COLOUR CHEM	100	31/03/87	66.95	7.94	17.24	3.08	42.44	8.95	1.61	0.42	**380.00**	30.17	1.31
15	DEEPAK NITRITE	10	31/10/87	23.60	2.43	10.30	5.05	3.99	9.02	1.36	0.36	**36.00**	8.75	4.42
VI.	**COMM VEHICLES**													
16.	BAJAJ TEMPO	10	31/09/87	152.91	6.58	-25.31	4.06	2.64	34.56	1.24	0.47	**91.25**	60.04	-1.36
17.	MAH & MAH	10	31/10/87	599.28	19.26	1.11	9.40	5.76	10.42	1.29	0.38	**60.00**	115.56	4.34
18.	TELCO	100	31/03/87	1196.89	53.18	-38.98	-6.45	5.51	112.52	1.55	1.88	**620.00**	329.72	18.09
VII.	**CONS DURABLES**													
19.	ASIAN PAINTS	10	31/12/87	201.72	12.45	32.95	30.02	10.07	15.39	4.26	0.30	**155.00**	192.98	2.48
20.	PEICO	10	31/12/87	385.93	33.32	1.54	-8.12	1.04	32.69	1.75	0.96	**34.00**	113.29	6.26
21.	VIP INDUSTRIES	10	31/07/87	68.40	5.99	-1.39	N.A.	1.43	9.97	0.77	0.84	**14.25**	8.54	5.56
VIII.	**COTTON TEXTILES**													
22.	CENTURY SPG	100	31/12/87	390.80	26.62	4.55	12.57	56.50	15.22	1.49	0.42	**860.00**	228.93	0.29
23.	MADURA COATS	10	30/06/87	200.36	21.81	7.88	14.48	5.14	14.01	2.83	0.49	**72.00**	157.03	-4.00
24.	RAYMONDS	10	31/03/87	225.19	22.48	37.75	22.02	5.89	8.15	1.66	0.21	**48.00**	107.90	6.66
IX.	**DOMES CONS PRODS**													
25.	COLGATE	10	31/12/86	163.52	15.72	23.25	11.34	6.49	30.24	10.30	0.40	**196.25**	308.51	6.95
26.	HINDUSTAN LEVER	10	31/12/87	933.68	93.32	13.34	22.33	4.98	14.76	3.64	0.50	**73.50**	685.90	2.80
27.	ITC	10	30/06/87	1051.80	33.17	15.26	12.36	5.26	8.17	1.80	0.57	**43.00**	142.63	8.18
28.	McDOWELL	10	30/06/87	145.20	6.40	-2.72	41.58	10.91	7.33	1.30	0.14	**80.00**	51.20	0.00
29.	RECK & COLMAN	10	03/01/88	59.28	4.20	25.17	13.43	13.02	16.13	5.03	0.23	**210.00**	88.20	9.09
X	**ELEC ENGG**													
30.	BEST & CROMP	10	31/12/86	123.56	4.73	-22.28	2.38	1.92	19.27	0.75	0.79	**37.00**	17.50	-2.62
31.	FINOLEX CAB	10	30/11/87	60.58	1.80	50.69	32.42	45.39	7.93	3.89	0.09	**360.00**	64.80	8.27
32.	GENELEC	10	30/06/87	74.19	2.16	16.60	12.41	6.76	8.88	1.81	0.37	**60.00**	12.96	-9.12
33.	OTIS	10	30/11/87	54.28	5.04	18.55	15.36	7.58	25.73	6.71	0.33	**195.00**	98.28	5.41
34.	SIEMENS	10	30/09/87	198.40	20.94	-1.55	2.63	2.48	29.84	1.84	0.42	**74.00**	154.96	1.37
XI	**EQUIP MANUF**													
35.	INGERSOLL	10	31/12/87	77.14	7.89	21.93	15.81	10.99	25.93	7.70	0.27	**285.00**	224.87	14.00
36.	KIRLOS CUMM	10	30/09/87	146.96	26.40	4.23	23.13	3.81	14.70	2.33	0.53	**56.00**	147.84	-4.27
37.	MATHER & PLATT	10	30/06/87	42.04	6.40	21.14	14.23	6.13	13.05	3.50	0.33	**80.00**	51.20	1.59
XII.	**FERTILISERS**													
38.	GSFC	10	31/12/87	357.40	26.94	23.47	15.88	13.07	9.18	1.64	0.23	**120.00**	323.23	17.07
39.	SPIC	10	31/12/87	391.00	34.42	-23.16	N.A.	1.47	33.33	1.66	1.01	**49.00**	168.66	34.25
XIII.	**FOOD PRODUCTS**													
40.	BRITANNIA	10	30/11/87	192.10	12.38	23.92	16.60*	6.37	13.34	3.16	0.38	**85.00**	105.23	1.19
41.	BROOKE BOND	10	30/06/87	399.50	24.73	18.02	13.94	6.08	14.97	4.72	0.49	**91.00**	225.04	0.00
42.	HIND COCOA	10	30/06/87	73.42	8.40	26.56	18.22	5.31	14.69	4.21	0.28	**78.00**	65.42	-2.50

BOOM PERSISTS

The runaway boom continued on sustained speculative support coupled with investment buying on the stock exchanges of the country during the fortnight ended 27th May.

The buoyant tendency gained further strength on reports that the law and order situation in Punjab was likely to improve following the mass surrender of terrorists at the Golden Temple. Besides, reports of a favourable monsoon and its impact on economic growth bolstered the sentiment. According to estimates, Unit Trust of India purchased shares and debentures worth Rs. 600 crores last year leading to a scarcity of floating stocks in the market.

Confirming the bullish trend, *The Economic Times* index of ordinary shares (1984-85) shot up from 239.1 on 13th May to 254.1 on 27th May — a hefty gain of 6.27%. Likewise the *Financial Express* equity index spurted from 322.62 to 338.85 during the same period. The *BW* index rose substantially from 103.62 on 14th May to 134.94 on 27th May.

STOCKMARKETS

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs.)	YEAR ENDED	SALES (Rs.crores)	EQUITY CAPITAL (Rs.crores)	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	IN DIVIDENDS	EPS (Rs.)	P E 27 MAY	P B V 27 MAY	PAYOUT	SHARE PRICE 27 MAY (Rs.)	MK CAP 27 MAY (Rs. crores)	%CH CAP Over 14 MAY
XIV.	**HEAVY ENGG/PROJ**													
43	ELECON ENGG	10	31 12 87	113.00	5.65	0.89	13.60	4.60	11.30	0.97	0.33	**52.00**	29.37	4.00
44	GAMMON	10	30 07 87	112.00	2.16	52.05	5.35	19.53	2.87	0.81	0.13	**56.00**	12.10	13.19
45	HIND DORR	10	30 11 87	42.66	2.38	25.48	14.03	16.43	9.28	2.74	0.23	**152.50**	36.30	7.02
46	ALFA LAVAL	10	30 11 87	51.00	5.21	15.13	15.63	5.37	12.34	1.70	0.34	**66.25**	34.52	6.02
XV	**LIGHT ENGG**													
47.	SKF BEARING	100	31 12 87	83.86	12.35	15.64	7.60	87.77	14.64	3.71	0.25	**1285.00**	158.70	1.99
48.	BHARAT FORGE	10	30/09/87	120.10	5.71	33.86	6.63	11.51	11.64	2.36	0.22	**134.00**	76.51	14.52
49	IND OXYGEN	10	30 09 87	131.00	14.60	9.51	1.03	2.16	14.58	1.48	0.74	**31.50**	45.99	1.56
50	SANDVIK ASIA	100	31 12 87	38.93	5.78	5.93	9.37	23.53	27.20	2.78	0.85	**640.00**	36.99	7.56
XVI.	**MULTI PRODS**													
51.	IEL	10	30/09/87	478.41	40.87	–17.55	–3.37	1.24	31.85	1.40	1.06	**39.50**	161.44	16.18
52.	LARSEN & TOUBRO	10	30/09/87	573.10	56.37	7.47	15.43	4.90	19.18	2.42	0.41	**94.00**	529.88	9.30
53.	RALLIS	10	31/05/87	225.41	5.64	25.69	11.40	10.30	7.09	0.16	0.29	**73.00**	41.17	1.38
54.	VOLTAS	100	31 08/87	363.71	12.78	11.18	6.88	53.60	5.46	1.01	0.30	**292.50**	37.38	0.86
XVII.	**PASS VEHICLES**													
55	BAJAJ AUTO	10	30/06/87	607.74	18.82	70.08	37.08	34.30	5.72	1.82	0.12	**196.25**	369.34	3.29
56	KINETIC ENGG	10	30 06 87	91.25	1.20	15.57	19.22	20.25	9.75	1.47	0.15	**197.50**	23.70	8.22
57.	HIND MOTORS	10	31 03/87	373.01	26.41	–19.96	–2.22	1.17	17.74	0.68	0.85	**20.75**	54.80	13.69
XVIII.	**PEST & AGROCHEM**													
58	BAYER	100	31/12/87	111.70	16.22	9.38	12.80	27.19	12.69	2.04	0.59	**345.00**	55.96	4.54
59	SEARLE	10	31 12 87	35.00	3.48	35.23	20.34	8.02	17.77	2.67	0.25	**142.50**	49.59	23.91
XIX.	**PHARMACEUTICALS**													
60	GLINDIA	10	30 06 87	200.97	20.00	9.38	7.36	3.70	17.97	2.79	0.49	**66.50**	133.00	0.75
61	HIND CIBA	100	31 12 87	176.80	17.71	6.26	13.26	38.17	12.58	1.72	0.52	**480.00**	85.01	4.35
62	HOECHST	100	31/12/87	158.81	9.58	–16.27	–6.52	13.67	43.89	1.62	0.73	**600.00**	57.48	16.50
XX.	**PLANTATIONS**													
63	ASSAM CO.	10	30 06 87	44.15	7.00	45.90	55.03	6.46	16.25	3.16	0.62	**105.00**	73.50	0.00
64	McLEOD RUSSEL	10	30 06 87	43.45	6.25	35.83	39.23	8.06	11.48	2.47	0.56	**92.60**	57.81	-3.91
65	TATA TEA	10	31 12 87	151.10	12.20	24.81	N.A.	9.04	13.72	2.26	0.50	**124.00**	151.28	1.22
XXI.	**PLASTICS & PAPER**													
66	BALLARPUR	10	30 06 87	362.66	13.98	-4.74	0.29	3.37	12.17	0.72	0.70	**41.00**	57.32	0.00
67	BHADRACHALAM	10	30 09 87	48.85	10.57	-4.64	7.84	4.16	6.49	1.13	2.00	**27.00**	28.54	6.88
68	GARWARE POLY	10	30 06 87	76.78	5.81	16.35	21.89	7.57	10.90	2.31	0.29	**82.50**	47.93	4.42
69	SUPREME IND	100	30 06 87	57.26	1.80	22.32	18.88	101.67	17.46	2.84	0.18	**1775.00**	31.95	4.05
XXII.	**POWER GENERATION**													
70	CAL ELEC SUPP	10	31/03/87	321.09	8.45	15.53	5.76	11.22	1.40	0.19	0.21	**15.75**	13.31	18.42
71	TATA POWER	100	31 03 87	330.90	20.00	35.06	11.11	148.20	1.72	0.54	0.11	**255.00**	51.00	0.97
XXIII.	**SERVICE IND**													
72	EAST IND HOTELS	10	31 03 87	65.93	17.34	11.41	3.52	5.64	9.04	2.20	0.35	**51.00**	88.43	0.00
73	HDFC	100	31 06 87	76.86	19.79	31.44	16.51	46.74	3.15	0.67	0.20	**147.00**	29.09	0.68
74.	20TH CENT FIN	10	30 10 86	17.70	6.34	53.14	54.38	5.98	3.68	0.81	0.30	**22.00**	13.95	10.02
75.	TATA UNISYS	10	31/12/87	27.12	4.38	–1.18	12.19	3.54	25.07	4.86	0.62	**88.75**	33.87	4.41
XXIV.	**SHIPPING**													
76.	ESSAR SHIP	10	31/12/87	60.50	33.42	8.46	25.04	2.33	8.26	0.90	0.86	**19.25**	64.33	16.67
77.	GR EASTERN	10	30/06/87	102.50	31.94	6.72	19.13	2.12	12.85	1.41	0.98	**27.25**	87.04	2.84
XXV	**SYNTHETIC TEXTILES**													
78.	CENTURY ENKA	100	31 12/87	280.20	11.87	16.76	13.59	118.03	14.36	2.46	0.32	**1695.00**	201.20	9.35
79.	GRASIM	10	31/03/87	531.00	21.59	2.68	4.51	4.00	23.75	1.67	0:60	**95.00**	205.11	4.97
80.	RELIANCE	10	31/12/86	989.90	158.26	–13.44	21.35	0.90	200.00	6.91	0.97	**180.00**	2848.68	25.44
	TOTAL			20213.85	1562.14								12487.24	

BUSINESSWORLD INDEX (27TH MAY) - 134.94 13 MAY 122.99 (BASE 29TH JUNE 1987 = 100)

EPS EARNINGS PER SHARE P E PRICE EARNINGS RATIO P B V MARKET PRICE TO BOOK VALUE

%CH.CAP: PERCENTAGE CHANGE IN MARKET CAPITALISATION

The highlight of the fortnight was the unprecedented rise in the price of ACC shares. The scrip jumped from Rs. 166.50 to Rs. 207 on brisk speculative buying amid rumours that a big operator from Calcutta had cornered the shares. Besides, expectations that the government was contemplating a hike of Rs. 50 a tonne in the price of levy cement also cheered the sentiment. As a result, the *ET* index for cement shares shot up by 34.82% to 99.5.

"Equities on stockmarkets will continue to remain buoyant, because many industries which were hit hard by recessionary trends are showing marked improvement. Fertilisers shares, in particular, are likely to go up considerably on expectation of a good monsoon. Besides, the pragmatic approach adopted by the government to boost the capital market has revived the confidence of investors," opines M.R. Mondkar, the vice-president of J.M. Financial & Investment Consultancy Services Pvt. Ltd.

■ *S. Dhruv*

The golden promise from the bird of paradise

JAYKAY RIGHTS ISSUE

1,32,58,700 EQUITY SHARES OF RS. 10/- EACH AT A PREMIUM OF RS. 20/- PER SHARE

ISSUE CLOSES : SATURDAY, JULY 9, 1988

JAYKAY. The Company you belong to

JAYKAY stands tall as the sixth largest company in the private sector. A success born from innovative excellence, far-sighted vision, sagacious employment of resources and, above all, the resilience to overcome all setbacks and bounce back to peak efficiency as soon as is humanly possible.

A golden era ahead

The 1988-89 budget indicates the important role synthetic fibres play in the country's textiles scenario. This will undoubtedly help the synthetic fibre industry as a whole. Since JAYKAY manufactures the entire range of synthetic fibres and yarns, it stands to reason that JAYKAY would benefit from the favourable budget. In addition, JAYKAY has an exclusive range of speciality fibres and yarns; this and its other astute diversification programmes will help to lead the Company into a golden era.

The Highlights of the Golden Issue

- Rights issue in the ratio of 1 new Equity Share for every 2 Equity Shares held by shareholders on May 6, 1988, being the record date
- Market price of Rs.55/- on May 2, 1988, as against an offer price of Rs.30/- to existing shareholders
- Book Value per share, as per last Balance Sheet, excluding Revaluation Reserves, Rs.45.65
- An uninterrupted record of dividend payment since 1962
- Investment in these shares eligible for tax benefits under Sections 80L, 80M of the Income-tax Act, 1961 and under Section 5 (1A) of the Wealth-tax Act, 1957
- Listings on major Stock Exchanges: Kanpur, Delhi, Bombay and Calcutta.

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ee how JAYKAY shares have acquired ne golden touch over the decades. Your riginal investment in JAYKAY shares is ow a virtual bonanza. 1,000 JAYKAY hares bought in 1962 have become 6,000 shares (please see table below).

ven at the market price of Rs.55/- per hare as on May 2, 1988, your original nvestment in 1,000 JAYKAY shares will etch you Rs.8.80 lakhs — an ppreciation of 8,700%.

Moreover, these JAYKAY shares have brought you dividends of over Rs.2.45 akhs since 1962. An uninterrupted dividend record.

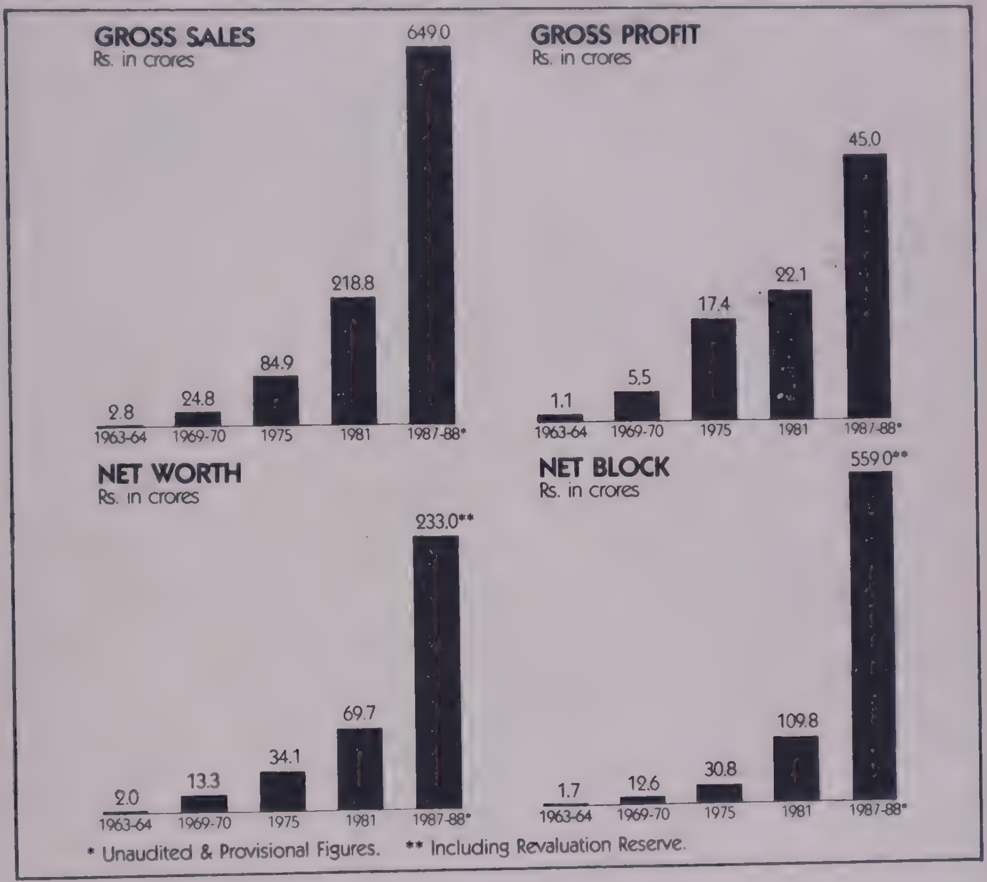
JAYKAY SHARES

Year	Holding (A)	Bonus Ratio	Bonus Shares (B)	Total Holding (A + B)
1962	1,000	—	—	1,000
1966	1,000	1:5	200	1,200
1968	1,200	1:3	400	1,600
1970	1,600	1:2	800	2,400
1974	2,400	**2:1**	4,800	7,200
1977	7,200	2:3	4,800	12,000
1983	12,000	1:3	4,000	16,000

Base year: 1962. Shares subscribed: 1000

Amount subscribed : Rs.10,000/-
(Face Value. Rs.10/- per share)

Golden decades of performance



* Unaudited & Provisional Figures. ** Including Revaluation Reserve.

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The Industrial Credit and Investment Corporation of India Limited,
Delhi

American Express Bank Limited,
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DSP Financial Consultants Limited,
Bombay.

H L Financial Consultants and Management Services Private Limited,
Bombay

JAYKAY. THE FAMILY YOU BELONG TO IS THE FAMILY YOU WOULD LIKE TO STAY WITH.

POINT OF LOW RETURNS

Investing in real estate does not merely mean land or houses. Commercial property is another mode of investment. This includes shops, offices and godowns. Although godowns cannot be strictly called commercial property, in terms of activity they come under the same umbrella. However, we will consider only shops and office blocks for the time being.

Property prices at Nariman Point — the best business address in Bombay — have appreciated manifold in the past 15 years. However, prices have shown a softening tendency of late.

Nariman Point, which has over 35 skyscrapers, witnessed unprecedented growth in the late seventies and the eighties. The prices in 1975-76 were between Rs. 160 to Rs. 200 per square foot which then moved up to Rs. 400 to Rs. 500 per sq foot in 1979-80 and touched Rs. 1,000 to Rs. 1,200 per sq foot in 1981-82. By 1984-85 prices crossed the Rs. 2,500 per sq foot mark and in 1986-87 ruled between Rs. 2,500 to Rs. 3,700 per sq foot. However, the sellers to a very large extent accept only up to Rs. 3,100 by cheque.

LOCATIONAL ADVANTAGE

Nariman Point is the nerve centre of business in Bombay and it has achieved this status due to its locational advantage of proximity to government offices. It is also close to elitist residential areas like Malabar Hill, Altamount Road and Cuffe Parade. All these factors have caused property prices to spiral.

The moot question now is: does Nariman Point qualify as investment grade material? A close look reveals that despite the fact that prices will continue to move up, the appreciation is insufficient. New development is not possible at Nariman Point due to the paucity of land. This will result in arresting any continuous downward movement. Moreover, prices can come down only if sellers outnumber buyers. Nariman Point today houses actual users and there are few speculators and property investors. Thus even a softening tendency in prices will not result in any panic selling. This is another factor which helps in stabilising prices.

The scheme of acquisition and sale of undervalued property devised by the income tax authorities has resulted in the cheque component showing a marked increase. This has led to property being valued at higher prices. Higher valuation results in higher capital gains tax for the seller and an increased wealth tax burden, not to mention the inheritance tax which will have to be paid by the prospective purchaser. Further, with the kind of parallel economy in existence, it is difficult for any prospective purchaser to pay the money required to purchase property at Nariman Point by cheque. Earlier, when deals were being struck at depressed prices, both the seller and the purchaser stood to benefit.

> *Nariman Point today houses actual users and there are few speculators and property investors*

The high incidence of stamp duty at the rate of 15% on commercial property has prevented a further price rise. As the declared values, due to the fear of acquisition, have now gone up (in most deals, approximately 90% of the value is declared), the stamp duty burden has also gone up. Besides this, there is a 1% registration charge and 2% brokerage. Thus the burden over and above the cost of the property works out close to 20%.

LOW RETURNS

Acquisition by the income tax authorities of several premises at Nariman Point and other places in south Bombay has resulted in speculators and investors moving out of these areas. Further, it is no more a paying proposition to invest at Nariman Point as the rate of return is low. However, despite these hurdles, public sector corporations, foreign banks and multinationals are picking up plum properties with the full payment being made through cheque.

Another feature here is the leasing out of premises. Individual owners are now accepting very high deposits coupled with low lease rentals. The lease agreement is routinely drawn up for a period of three years. The lease rental varies between Rs. 50 to Rs. 75 per square foot. However, the income tax authorities require any lease of over 12 years to be reported to them and they treat it on a par with a sale of property. Thus, leases are being entered into for shorter periods with regular renewals.

To sum up, it would not be advisable to venture into the Nariman Point complex just for investment at the present prices. However, prices are unlikely to slump. Thus, investors should cling on to current holdings.

■ *Gul Teckchandani*

The author is a Bombay-based investment consultant.

RESERVES SLUMP

There has been a dramatic fall in the country's foreign exchange reserves. The reserves (excluding gold and SDRs) declined by Rs. 527.8 crores in the first six weeks of the current financial year (1988-89). According to official figures, foreign exchange reserves, which were Rs. 7,287.1 crores at the end of 1987-88, came down to Rs. 6,882.2 crores on the last Friday of April. There was a further fall to Rs. 6,759.3 crores by the second Friday of May.

GOOD MONSOON LIKELY

After a bleak three-year spell, the rain gods are likely to favour the country this time. According to the meteorological department, 13 out of 15 parameters are favourable for a very good monsoon. These parameters have been developed after studying the monsoons for the past 37 years. This is of critical importance as the poor monsoons have badly hit food production. Last year foodgrain production fell to 130 million tonnes from the 1984-85 peak of 152.4 million tonnes.

RICE STOCKS DECLINE

The monsoons, which have played truant all over Asia, have taken their toll of the world's rice stocks. According to experts at the International Rice Research Institute, the region's self-sufficiency in food is close to being shattered. Rice stocks, in particular, are expected to plunge by over 30% to 34 million tonnes, the lowest since the seventies. In India, foodgrain stocks are estimated to have come down to a mere 9 million tonnes from the 23 million tonnes last year. The same is true of other countries in the neighbourhood.

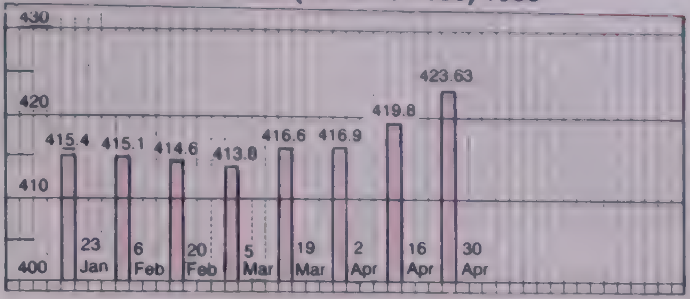
POWER SHORTAGE STAYS

The power sector has failed to meet targets. The overall power generation during 1987-88 was 201.8 billion units — a growth rate of 7.5% as against a target of 9.3%. The major reason behind the slowdown was the severe drought which hit all the hydel power stations in the country. However, there has been a significant improvement in other parameters. The average plant load factor has improved to 56.4% during the year, with thermal plants achieving 61.1%. Despite improved efficiency in power generation, the power shortage will continue to increase in the current year and will reach 11% of national requirement.

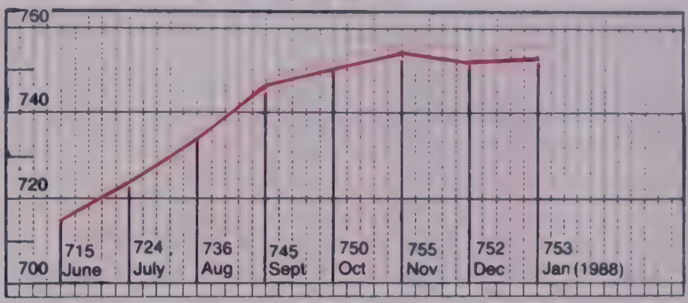
Foreign Exchange Rates (Spot) 1988

	1988 May 5
One P. Sterling	24.90
One US Dollar	13.33
One D Mark	7.84
One hundred J Yen	10.69

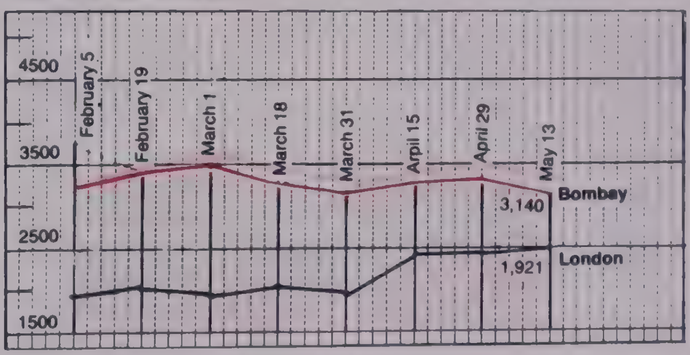
Wholesale Price Index (1970-71=100) 1988



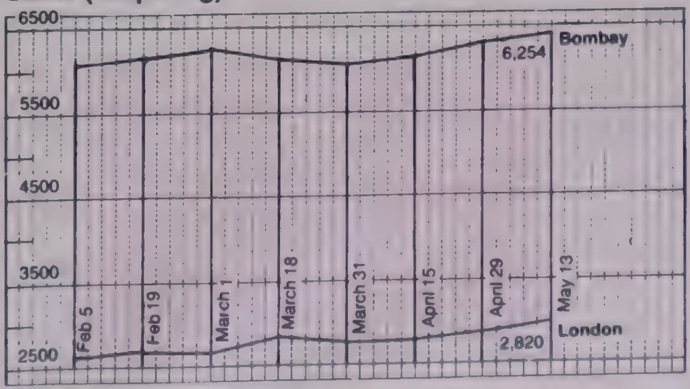
Consumer Price Index for Industrial Workers (1960-61=100) 1988



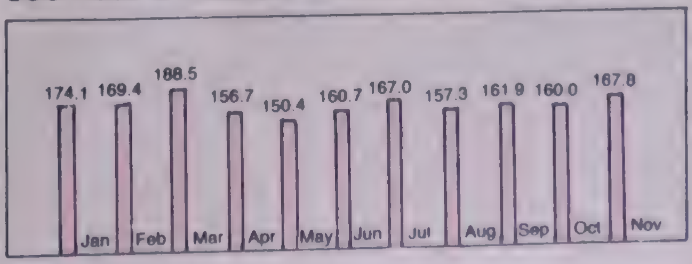
Gold (Rs.per 10 gm)



Silver (Rs.per kg)



CSO Index of Industrial Production (1980-81) 1987



EIGHTH PLAN AND MAGIC WAND

It was a lovey-dovey full meeting of the Planning Commission on 23rd May, with few memories lingering of past tensions and frictions caused by prime minister Rajiv Gandhi's abrasive comments on our planners ("they are a bunch of clowns"). This, at least, is the impression one gets from the official briefing of the press given by Gopi Arora, information and broadcasting secretary, who appears in newspaper reports as the 'official spokesman.'

But the grapevine leading into Yojana Bhavan in Delhi has a different story to tell. Not that the meeting on 23rd May was a stormy one, but there were enough indications to suggest that the prime minister and his 21st century, high-tech brains trust (Montek Ahluwalia, Gopi Arora, *et al*) do not see eye to eye with members of the Planning Commission on the main issues confronting the country with regard to the Eighth Plan.

The full meeting of the commission, with only human resources development minister P.V. Narasimha Rao absenting himself because of unavoidable circumstances, came to a broad decision that the growth target during the Eighth Plan period should be 7% per annum. There was overall agreement on this figure.

The differences between the prime minister's camp (there seems to be no other way of putting it) and the Planning Commission members cropped up over how to go about achieving this target. The essence of these differences, it appears, is that the prime minister and his men feel that the huge step-up in the growth rate (from about 4.5% in the Seventh Plan period till now to the aggressive and highly optimistic 7% for the Eighth Plan) can be achieved without much effort. Informed sources describe the prime minister's approach as "waving the magic wand" of cosmetic policy changes to bring down capital-output rates.

The Planning Commission members, on the other hand, firmly pointed out that no easy solutions are available. They presented a preliminary technical exercise which, in a necessarily simplistic manner, put the whole thing to the prime minister in the form of a poser, a straight choice. One involves maintaining the present savings rate and making efforts to substantially improve the capital-output ratio to achieve the targeted growth rate. The other choice would be to push up the savings rate.

If it is assumed that the present savings rate of a little over 22% continues during the Eighth Plan period, the achievement of a 7% growth rate would require the capital-output ratio to be improved to 3:1. The Planning Commission's technical exercise showed without doubt that it would be impossible to achieve a ratio better than 4:1. This being the case, the only way of achieving the target would be to induce a quantum jump in the savings rate from the current 22% to 28%.

It was made clear to the prime minister during the presentation that, in the ultimate analysis, there is in fact no choice at all. The capital-output ratio has to be improved to 4:1 while at the same time stepping up the savings rate to 28%. Otherwise, the 7% growth target would remain on paper.

DESHMUKH'S CLOUT

There have been, in the past month or so, a couple of stories in the press saying that the cabinet secretariat has emerged as one of the most powerful wings of the government under Rajiv Gandhi. Cabinet secretary B.G. Deshmukh seems to realise that responsibility and power go hand-in-hand. Take for instance the high-level meeting Deshmukh convened in Delhi in mid-May to formulate a further set of measures for export promotion.

The meeting was meant as an interaction between representatives of industry and business and top officials of different ministries such as finance, industry and commerce and the prime minister's secretariat. Displaying the clout that has been attributed to him, Deshmukh ensured that all the top officials concerned attended the meeting.

DESHMUKH: POWER CENTRE

The list of officials who attended the two-hour evening meeting, followed by dinner, is impressive: Otima Bordia, industrial development secretary, A.N. Verma, commerce secretary, Shiromani Sharma, textiles secretary, Dr. Bimal Jalan, chief economic advisor in the finance ministry, Montek Singh Ahluwalia of the prime minister's secretariat, S.K. Misra, civil aviation secretary, Amitabha Ghosh, deputy governor of the Reserve Bank of India, and S. Venkatarama Iyer, member of the Central Board of Excise and Customs.

The free-wheeling discussion covered a range of export-related subjects like policy, supply of inputs at international prices, deemed exports, countertrade, single window clearance procedures, project exports, 100% export-oriented units and marketing strategy. Many of the officials expressed their views openly without obfuscation or by maintaining a mandarin-like sagacious silence.

For instance, Montek Ahluwalia agreed with exporters that after they discharged their export obligations they should be allowed to dispose of the extra material imported on advance licences. Dr. Bimal Jalan expressed the view that the duty drawback scheme should move away from the unit-wise system to the product-wise system and that the advance licensing scheme should be simplified to ensure quick availability of imported inputs.

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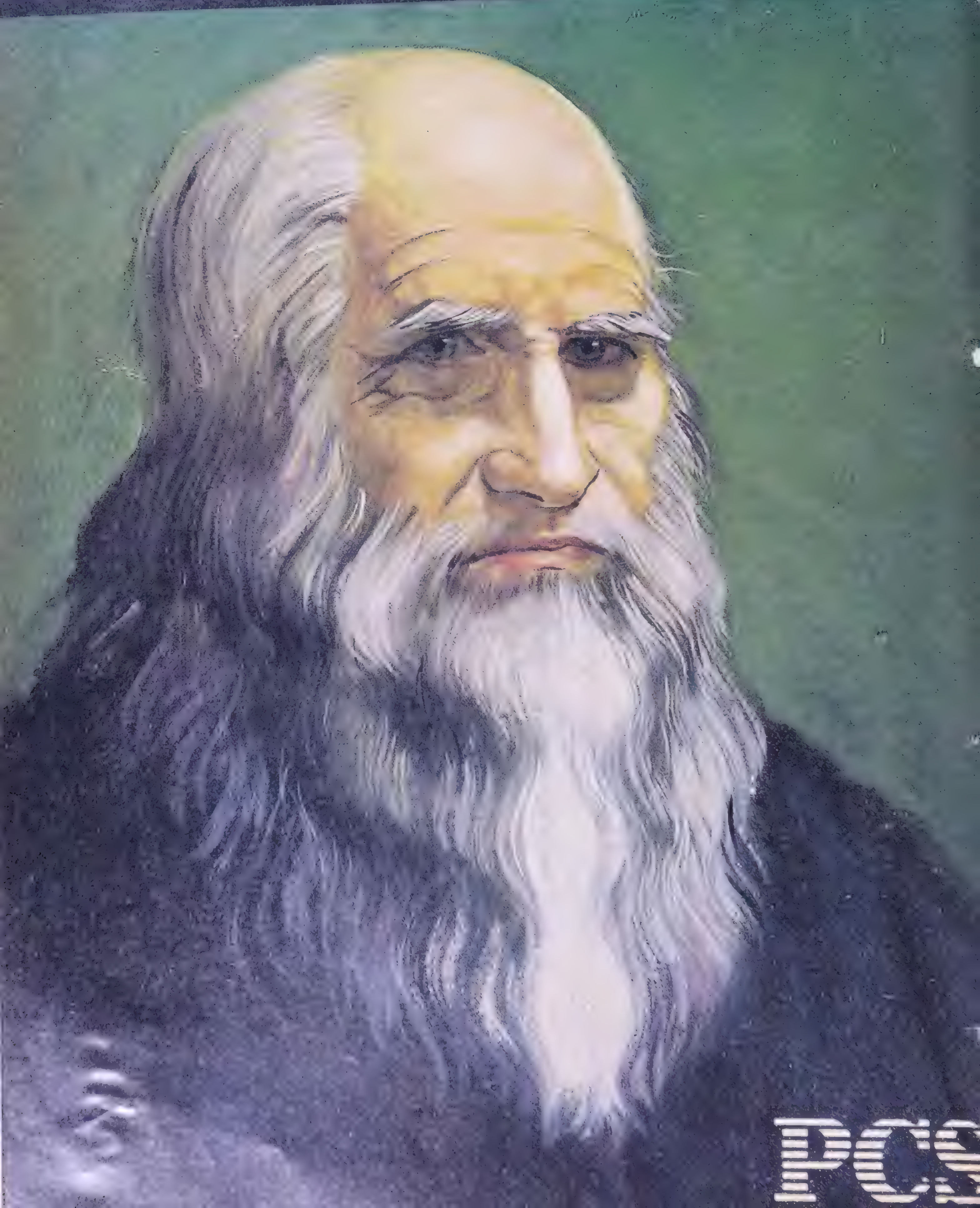
MARS

A pity, Leonardo Da Vinci had to struggle over his engineering designs.



Leonardo Da Vinci (1452-1519) Italian painter, sculptor, architect and engineer. Complementing his brilliant inventiveness was his ingenious imagination, which spurred him on to express several of his ideas in technical notes and drawings. Handicapped by lack of a suitable power source to drive his machines, much of this progress remained only on paper. Those were the days of pains-taking effort. Today, if you are an engineer, the story is different.

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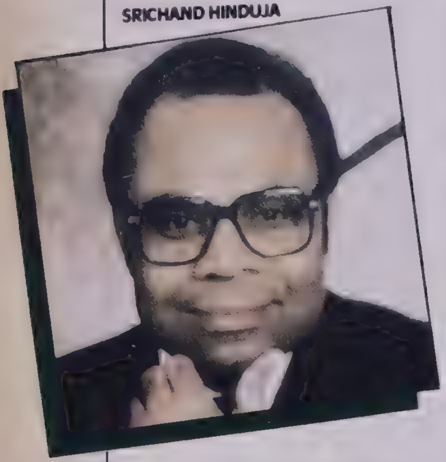
HINDUJA ACQUISITION

After their coup in Ashok Leyland and their much publicised attempts to take over Best & Crompton, the Hindujas have chalked up another quiet success.

SRICHAND HINDUJA



Despite being implicated by *The Hindu* in the Bofors kickback, the Hindujas are reported to have bought up the offshore holding in IDL Chemicals Ltd., a company which manufactures explosives and accessories. This is interesting because the 40% foreign equity stake in IDL Chemicals was sold by Dow Chemical Co. to Nitro Nobel Industries of Sweden. The company behind the Bofors scandal is Nobel Industries. So does it ring a bell somewhere?

Aside from roping in IDL Chemicals, which chalked up a profit after tax of Rs. 3.91 crores on a turnover of Rs. 50 crores in 1987, the Hindujas will also gain a substantial say in Astra-IDL, a company promoted jointly by IDL Chemicals and Astra Pharmaceuticals AB of Sweden. Astra-IDL is a Rs. 14 crore turnover company which chalked up a net profit of Rs. 67 lakhs in the year ended June 1987. When the Hindujas go big game hunting, they obviously believe in bagging a brace.

NIRMA's COUP

After taking the detergent market by storm — it has now acquired a 62.4% market share — Nirma now has grand plans of backward integration. The company has received a licence for caustic soda and linear alkyl benzene (LAB), the base materials for the production of washing powders and soaps.

This should send a lot of people scurrying for shelter. The washing powder success is history. In detergent cakes it took Nirma just six months to displace Hindustan Lever's Rin from the top spot. In soaps and toothpaste everybody is taking precautions because of the threatened Nirma entry.

Nirma's LAB licence is another victory over Hindustan Lever, whose own application to make the stuff was rejected. Are Reliance and Tamil Nadu Petroproducts, the main manufacturers of LAB, sensing a threat to their fiefdom?

CONFUSING JUDGEMENT

SUBRATA GANGULY

The thinking of the Union government is truly unfathomable. Take the case of Subrata Ganguly, the highly respected ex-chairman of Indian Petrochemicals Corporation Ltd. (IPCL), who was "relieved" of his responsibilities at the end of March in ignominious circumstances. His offence: declining to accept verbal assurances of an extension and not agreeing to continue on a "day-to-day" basis. Petrochemicals minister Brahm Dutt reportedly took umbrage and out he went. Needless to say, IPCL stood deprived of a first class manager.

The Union industries minister, J. Vengala Rao, however, was not prepared to brand Ganguly as *persona non grata*. To drive the point home, he went ahead and granted Ganguly a fresh three-year term as part-time chairman of Engineers India Ltd. (EIL), a post he has been holding by way of additional charge for some time now. According to sources, the EIL reappointment was approved by none other than the prime minister himself.

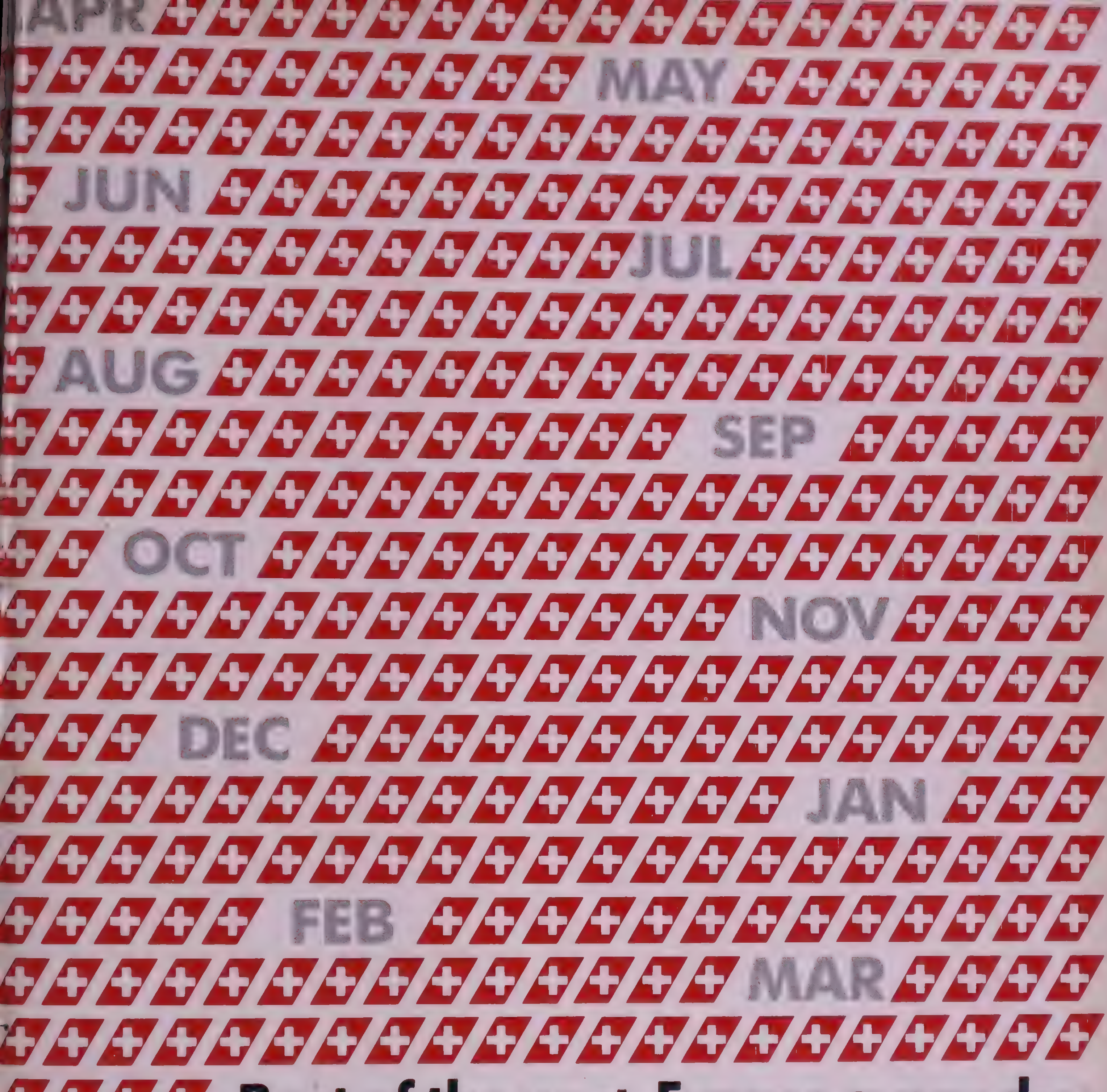
Is the government trying to say that Ganguly is good enough for EIL but not for IPCL?

SPRINTING AHEAD

On the face of it, it's an all out campaign to promote a soft drink: colour double spreads in *India Today* and massive hoardings all over the country. The product is Sprint — the bottled soft drink from United Breweries (UB) which has failed so far to lure the consumer. The campaign extravagantly states: "Break away from the ordinary."

The statement reflects an extraordinary strategy up the liquor company's sleeve. Apparently, the massive amounts spent on advertising Sprint are not actually meant to push the soft drink. UB reportedly has plans to launch a new liquor brandnamed Sprint.

This smart strategy is to avoid another rap on the knuckles by the MRTP Commission. The watchdog body has already pulled up UB for promoting liquor via campaigns for cologne. But now, when the Sprint liquor is launched, it would already have acquired a high-profile image — thanks to the soft drink. And perhaps, the commission cannot do much about it except frown. Significantly, the advertisement for Sprint doesn't mention what the product is all about — except for showing a bottle.



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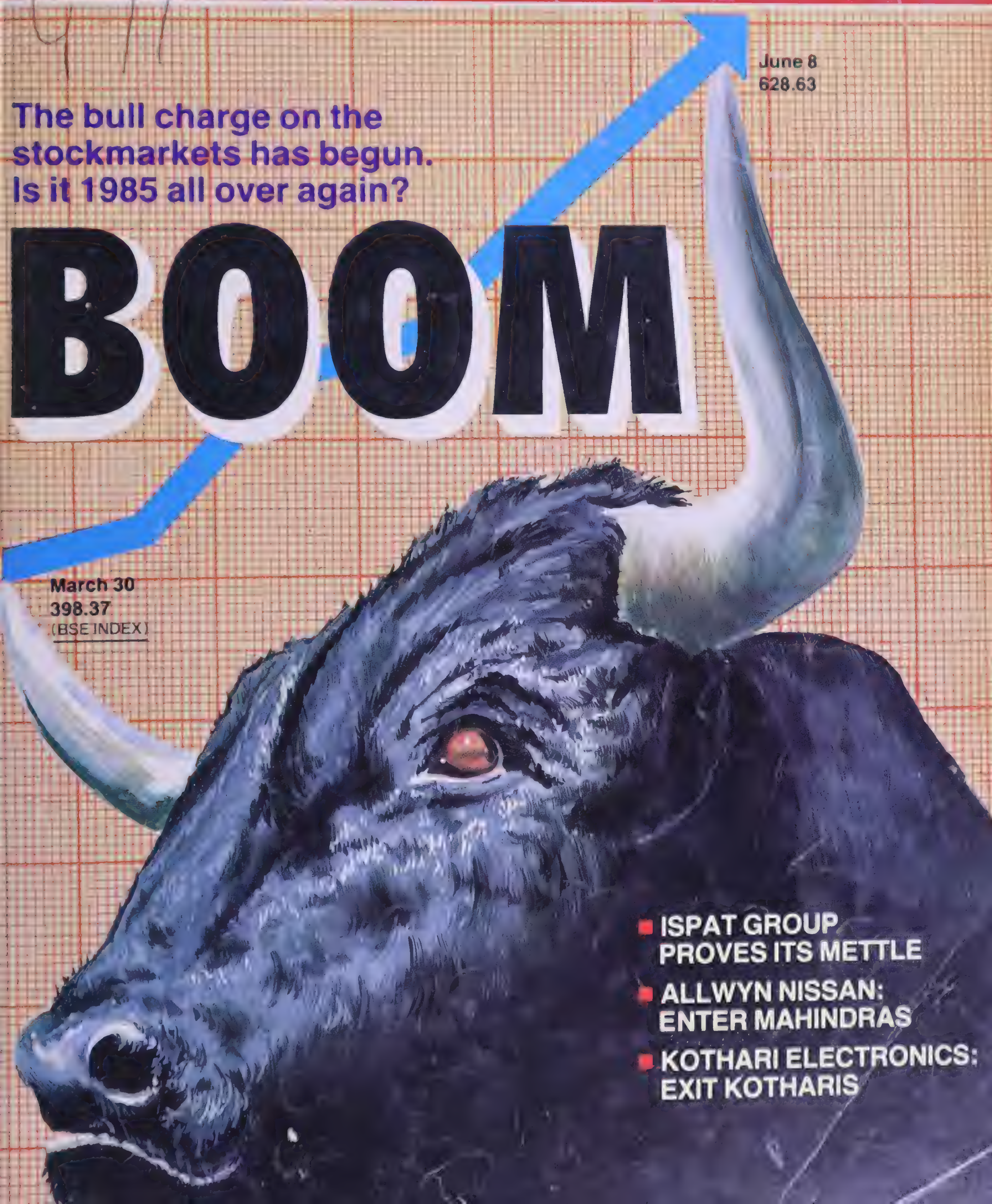
BusinessWorld

The bull charge on the stockmarkets has begun. Is it 1985 all over again?

BOOM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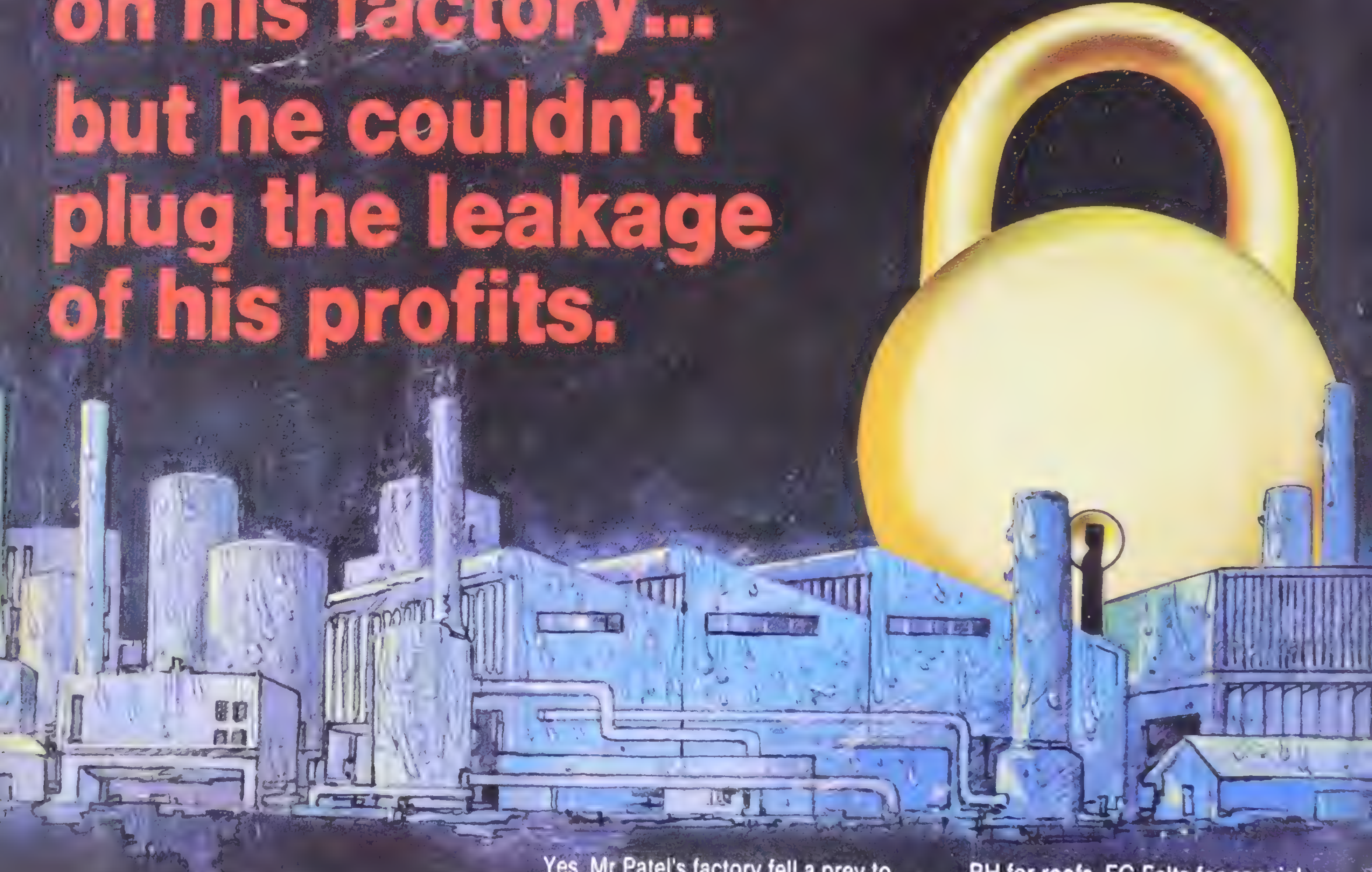
- ISPAT GROUP PROVES ITS METTLE
- ALLWYN NISSAN: ENTER MAHINDRAS
- KOTHARI ELECTRONICS: EXIT KOTHARIS

Mr Patel blocked 5 burglaries, 3 takeover bids and 4 sabotage attempts on his factory... but he couldn't plug the leakage of his profits.



Yes, Mr Patel's factory fell a prey to water leakage. Because he neglected one vitally important security measure: lasting waterproofing. So what with endless repairs and renovations over the years, his profits kept pouring down the drain.

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NO EXCUSE FOR IRRESPONSIBILITY

It seems like a no-win situation. There is something in the Indian ethos that encourages irresponsibility. And irresponsibility breeds distrust and a predisposition towards controls in the minds of those whose duty it is to ensure order and fairplay. With controls come corruption, providing the irresponsible with the *raison d'etre* for greater irresponsibility. Full circle.

A case in point is the stockmarket, where excessive official controls have had the net effect of undermining the market's essential function of balancing supplies of and demand for scrip. Given the rising level of optimism about the economy and other favourable developments in the business environment, it was inevitable that share prices would rise. But the rise has been so sudden and spectacular that only the naive can believe that it wasn't rigged. There can be little doubt that the line separating healthy speculation from unhealthy racketeering has been crossed on Dalal Street.

In the recent bull run of the last two months, it is the buyers who have been irresponsibly pushing share prices to unsustainable levels, raising the spectre of a default. Not surprisingly, the stock exchange authorities have put up their speedbreakers to ensure compliance with the law. Hefty margins have been imposed on bulls to prevent defaults and brokers in Bombay are believed to have coughed up as much as Rs. 15 crores on this account.

The tragedy of the situation is that the only way the interests of the genuine investor can be safeguarded is by interfering with the market mechanism. And the primary blame for this must rest with the buccaneers who acted irresponsibly in the first place.

Unfortunately, such irresponsibility runs deep in the Indian psyche. Politicians, businessmen, workers and bureaucrats have all exhibited streaks of it at various times, though these instances often masquerade under the cloak of social responsibility. How else can one explain the loan *melas* of Janardhana Poojary when he was the minister of state for finance? Under the guise of helping the poor, he put the entire banking system at risk by sending the message to loanees that the money they obtained was for keeps.

Again, how else does one explain the inability of the government to decide on the fate of a Scindia shipping company here and a couple of NTC mills there? It is charitable to presume that the delays in decision-making are the result of the government's concern for the workers who will lose their jobs. But the brutal fact is that by letting the stretcher cases soak up good money, newer and more viable companies are being denied their seedcorn.

The lesson is that unless the irresponsible are made to pay for their irresponsibility (or mistakes), there can be no antidote. The stockmarket's racketeers continue their racketeering because they know the authorities will bail them out, if only because the credibility of the market has to be safeguarded. But the point is that unless credibility is allowed to be busted, the speculators will not see any need to act responsibly. The authorities must call their bluff. Otherwise, some people will continue to enjoy a free lunch at the expense of the public.

BusinessWorld

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VAM
BESA GOA
LIPTON

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BOOM

The bull charge on the stockmarkets has begun. In an astonishing two-month climb, the Bombay stock exchange's 30-share index has put on an incredible 200 points, making 1985 seem like a minor rally in comparison. A reaction is overdue, but the bear grip has been decisively broken.

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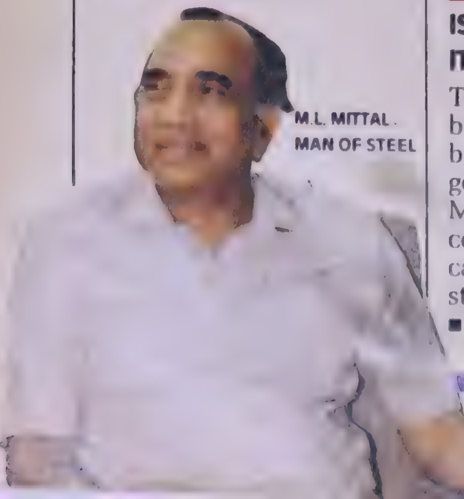

M.L. MITTAL. MAN OF STEEL

ECONOMY & BUSINESS

THE GREAT DIVIDE

Accountants and companies don't see eye-to-eye on standards. Sparks have already begun to fly.

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SPOTLIGHT

ISPAT GROUP SHOWS ITS METTLE

The Ispat group is slowly but surely making it to the big league. If everything goes as planned, M.L. Mittal's clutch of companies could well catapult itself to the top ten status by the nineties.

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MADRAS BECKONS MALLYA

Liquor baron Vijay Mallya is eyeing Madras as a launching pad for his ambitious plans to enter the field of petrochemicals.

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FLIGHT OF THE FALCON

L.A. Bhatia, an NRI who made his fortune in the Gulf, has set up a sanitaryware unit styled Falcon Gulf that may give the other ceramic manufacturers a run for their money.

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Hindustan Cables is taking steps to cash in on the telecommunications boom and retain its leadership in the cables industry.

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FLOORING THE CUSTOMER

Murudeshwar Ceramics of Hubli has high hopes of carving out a decent share of the ceramic tiles market by concentrating its

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Camlin, which has made a successful foray into pharmaceuticals, is planning a new thrust to recapture its leadership status in pencils.
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THINKING ORIGINAL

Prentice-Hall of India, which is celebrating its silver jubilee this year, is writing a new chapter by increasing the share of original works in its publishing product-mix. Thus far, reprints have been its staple.
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ENTREPRENEURS

IMPRINT OF INNOVATION

Rajiv Patkar's venture into manufacturing computer peripherals was much of an accident. But once started there has been no looking back. Patkar's outfit, Microcraft, is now launching a whole range of products.
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AN EXHIBIT OF EXPEDITION : INDIA

SPECIAL REPORTS

ALLWYN NISSAN: ENTER M&M

The Mahindras have cobbled together an agreement with the Andhra Pradesh government to take an equity stake in the ailing Allwyn Nissan. The deal, however, faces political opposition.
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A SUCCESSFUL EXPEDITION

Banaras House's tie-up with US retail chain J.C. Penney has resulted in the highly successful Expedition:India. The May exposition may well usher in many more such expeditions.
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TRAVAILS OF THE TRAVELHOLIC

Today more and more executives are constantly on the move. For many of them it is a must.

But being a member of the jetset club has its disadvantages too.
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CHAOTIC BUSINESS

The prescription is revolution. Changes are coming so fast that the only word to describe the business environment is chaos. In tomorrow's world, the successes will be those who thrive on chaos.
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Cover illustration: Kiran Parker

PAUL: ELECTRONICS TREKOVER

Takeover tycoon Swraj Paul seems to have realised at last the value of sticking to the knitting. After trying his best to turn around Fidelity — the second largest British electronics venture which he acquired for £13.4 million in 1984 — Paul has finally given it up as a bad job. The brandname has already been sold for £3.1 million and the machinery and technology are on the auctioneer's block.

But this disaster has not affected Paul's appetite for acquisitions. According to him there is still £50 million in the kitty for takeover purposes. Caparo Industries plc., Paul's flagship, is now busy identifying suitable targets.

"The company has achieved some excellent results from past acquisitions," Paul told *The Economic Times* recently. "It should now resume this process of identifying targets where Caparo's management skills and experience are expected to pay off." Paul's gambits have had a habit of paying off. Even in his DCM and Escorts debacle, he walked away with a pretty packet. After all, it is proverbial that one can rob Peter but has always to pay Paul.

For two years it was kept under wraps. *Challenge and change: The ITC story* was a project flagged off by company chairman Jagdish Sapru during ITC's platinum jubilee celebrations in 1985. The 367-page tome, authored by Champaka Basu, was ready in 1986.

But it has been launched only now. The reason: with a galaxy of excise cases against it, ITC thought it inappropriate to bask in the glories of its past. Now, however, the company feels that it is on a relatively better wicket and all systems go.

"We are in an upbeat mood at ITC," says Sapru. "Right now we are busy going ahead with our several expansion plans, particularly in oilseeds and hotels. We have set our sights very high and, as always, our endeavour will be in tune with national priorities." But with more than Rs. 800 crores still claimed by the government as excise arrears, Sapru's first priority is probably getting the taxman off his back.

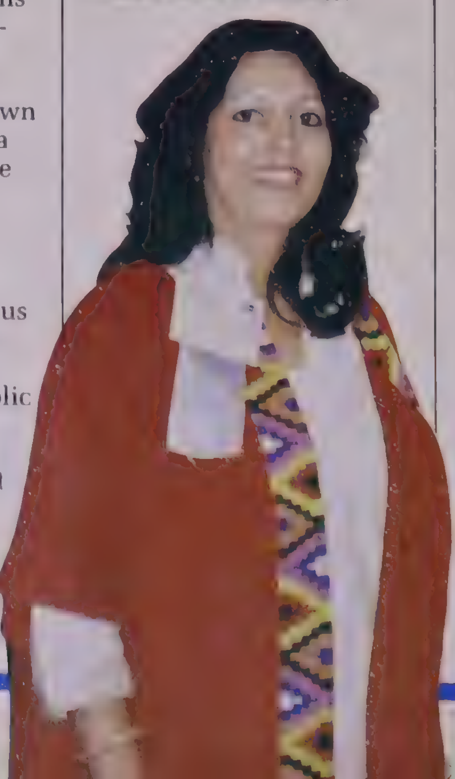
SAPRU: NEW GUSHERS

Rita Bhimani, articulate public relations manager of the Calcutta-headquartered Indian Aluminium Co. Ltd., returned home from Down Under last month with a feather in her cap. At the 11th Public Relations World Congress held in Melbourne recently, Bhimani was elected member of the prestigious board of directors of the 784-member, Geneva-based International Public Relations Association (IPRA).

This directorship is not a decorative one. Bhimani has been designated head of the standing committee on education and research. "This is a key area of concern for PR practitioners," she vouches. "Public relations has flowered to the status of a management discipline and as such, IPRA has a role to play in professionalising PR education."

So, for the uninitiated who might wonder whether PR is an art or a science, a craft or a skill, or those who still believe that one can blunder or just grow into a PR job, a learning trip to Indonesia might be in order. IPRA's next seminar for PR educators will be held there later this year — to be impresarioed by Bhimani.

BHIMANI: BORNE TO INDONESIA



BusinessWorld
ERBANKER

LETTERS TO THE EDITOR

WELL DONE, RATNAKAR

It was refreshing to read about Canara Bank's B. Ratnakar (*BW* Cover Feature May 23-June 5) and how one man's dedication, vision and courage can bring a breath of fresh air to nationalised banking.

The reference in your story to the efforts made by the RBI and the State Bank to prevent Ratnakar from coming out with his mutual fund (among other things) comes as no surprise. In this country, the bureaucrat's philosophy has always been to prevent anyone else from doing anything that is new, innovative or designed to improve things, unless of course he himself can take the credit. What makes Ratnakar's work creditable is the courage and vision he has shown to fight for what he believes in. He has my good wishes wherever he goes for his next assignment.

R.C. KUMAR
Gurgaon

ROTTEN SYSTEM

I am writing about two articles in your issue of May 23-June 5 — the lead article on B. Ratnakar of Canara Bank and the one on Orissa's high-tech ambitions. They are in counterpoint.

While Ratnakar has rightly decided that higher-ups in authority do not know what they are talking about and acted accordingly, the managing director of Elco takes the trouble to tell us that "we are following the government's PMP (phased manufacturing programme)rigidly." This person, who was probably a bright young man at one time, has had his mind thoroughly destroyed by the system. He is so afraid that any innovative move may reflect badly in his *zapiska* (which is James Bond-ese for personnel file) that he has to assure everybody that he is following every stupid rule! One feels sorry for the destruction of a mind, but he is of no use to anyone. In this day and age, to pretend that attracting "investments" is the end, is absurd. And to do it through "incentives" like indefinite tax holidays is profligacy of a high order.

But I do not expect anything different from government officials. They may work long hours (at least that is the line being pushed in several publications these days) but that is geared towards being ineffective and making others ineffective.

Ratnakar, on the other hand, appears to be a man who has understood that freedom means responsibility. And though there may be a lot of hype about his accomplishments, even whatever he has tried deserves commendation.

I am not sanguine about their lasting value though. For, most of the bureaucrats in Canara Bank know that Ratnakar's successor is unlikely to be a risk-taker. The powers-that-be in the finance ministry or the Reserve Bank cannot afford that because such a person strikes at the root of their strength: the power to make senseless rules that leave everyone tangled up in knots. Those who support Ratnakar's efforts run the risk of being punished for their daring when the conventional bureaucrat replaces him. This will be weighing on their minds.

R. SIDDHARTH
Bangalore.

KEEP IT UP!

Hats off to *BusinessWorld* for the excellent Cover Feature on Crompton Greaves (*BW* May 9-22). Hats off too, to K.K. Nohria, president and managing director of Crompton Greaves, for his creative leadership and innovative managerial approach.

The cover feature has been very informative, comprehensive and educative for rising professionals and business leaders. It offers many vital lessons for effective management. Nohria's approach to management is an Indianised one with a very simple and adaptive technique — viz. "management by walking and talking around." Since Crompton Greaves' corporate philosophy has been people-oriented, quality-oriented and customer-oriented, it has achieved outstanding corporate growth.

NOHRIA: ADAPTIVE TECHNIQUE

As the story indicates, profitability is not the only index of corporate performance. Crompton Greaves has demonstrated that what is important is the long-term stability of the business even if margins are low for some time.

The cover feature shows that business and industry cannot be run on the basis of someone's whims and fancies or by blindly adopting the Harvard MBA-MBO approach. For success, one needs an understanding of (1) the business, (2) the people within and without an organisation, (3) the cultural and environmental conditions in which a company is operating, and (4) the needs of the customer.

As the article emphasises, the key corporate philosophies and actions of Crompton Greaves that have helped the organisation along are its (a) open management culture, (b) open communication system, (c) high employee morale and (d) advance succession planning. These factors have strongly cemented organisational strength, which in turn assures a fast corporate growth rate for the benefit of employees, consumers and shareholders.

As a professional myself, I have enjoyed reading your impressive cover feature. Please keep it up.

K.N. KRISHNA SWAMY
Bombay

MAYYA'S GOOD WORK

Investors are happy to learn that the governing board of the Bombay stock exchange has requested the Union government to extend the term of M.R. Mayya, the executive director of the exchange by five years. During his last five-year term, Mayya contributed significantly to reforms in the Bombay stock exchange, particularly with a view to protecting the interests of the common investor

M.D. MUKHI
Bombay

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THE ALLAHABAD NON-EVENT

By the time this article appears the Allahabad election will be over, and this is only to underline the point that whatever be the outcome it is not as pregnant with momentous implications as we have been asked to believe. One of the built-in factors of the Indian political scene is an inclination to inject an excess of symbolic significance into a situation that can neither bear nor justify it. Thus on the one hand we have been told that if V.P. Singh wins, the prime minister will be under a moral obligation to resign. On the other, it has been implied that if he loses, all the charges relating to Bofors and the submarine issue will have been successfully refuted.

There is, in both these propositions, an excess of hyperbole and a deficiency in logic; and they are in the same strain of extravagance as the further claim that this single election was a "national referendum." It was, of course, nothing of the sort.

Yet all the principal actors have behaved in the spirit of their self-created melodrama. As many as four opposition chief ministers descended on Allahabad and spoke of the makings of a "revolution in India" in the event of V.P. Singh coming out on top. Congressmen insisted that a Shastri victory would be the equivalent of a complete vindication of all the policies of the Rajiv Gandhi government and, further, that it would precipitate a complete demoralisation of the opposition. There can be no election campaign without an element of emotive irrationality but the extent to which this was evident in Allahabad has drained it of all credibility. A candidate as an individual cannot be entirely divorced from the party which he represents and its policies. Yet at no stage of the Allahabad campaign was any serious attention given to political ideas as distinct from personalities.

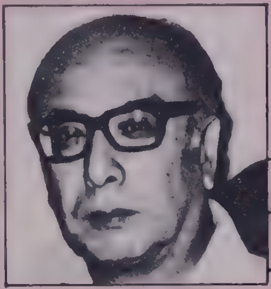
PERSONAL ANIMUS

Sunil Shastri might have been upfront but hovering behind him, as V.P. Singh saw it, were the far from shadowy figures of Amitabh Bachchan and Rajiv Gandhi. More than anyone else, Singh has metamorphosed Amitabh Bachchan from a superstar into a moving and breathing symbol of everything associated with Rajiv Gandhi; and it is this intense focusing on the individual and the personal animus that inspired it that have helped to characterise the Allahabad election as a model of what no election should be. This is not the sort of obsession one associates with someone supposedly concerned with rejuvenating every aspect of national life by the injection of some undefined "values" into them.

Not long ago this was the man who was protesting his loyalty to Rajiv Gandhi and the Congress(I); was declaring his disinterest in elections or the pursuit of office; was placing himself well above the murky obligations of run-of-the-mill politics; and in the spotlight of intense publicity was going through the motions of being the sole crusader against corruption in national affairs. There has never been and there is no trace today of anything resembling a national programme with which Singh can be credibly linked. The farcical element in all this has been much reinforced by the erratic promptings of his "conscience." On one day it advised him not to contest if Amitabh Bachchan withdrew. On another it advised him to contest, "Amitabh Bachchan or no Amitabh Bachchan."

The Congress(I) has been castigated for the cheap ruse of appearing to support Amitabh Bachchan's candidacy until the last moment and then fielding Shastri, but the stratagem has had the salutary effect of suddenly deflating something which Singh himself had done so much to blow up out of proportion. Having said that he would lose his "credibility" if in the absence of Bachchan he chose to contest, Singh nevertheless opted to accept the "challenge" in the interests, he claimed, of opposition unity. Here, surely, we are near the heart of the matter: Not Bofors or corruption or Rajiv Gandhi's inadequacies or "values" or big business domination or the poverty of the masses, but V.P. Singh's equivocal equation with the opposition.

Ever since the Fairfax and Bofors affairs, the opposition has been capitalising on the circumstances in which Singh left office and the Congress(I), but it has turned out to be capital which has yielded extremely poor returns. Increasingly, it became evident to the more thoughtful on the opposition side of the fence that, ironically, Bachchan and Singh are brothers in apoliticality, though in differing degrees. Singh's ineptitude as a professional would have been confirmed in the view of the opposition leaders had he failed to contest. Allahabad then, irrespective of how the vote has gone, was a means by which Singh could establish whatever credentials he had.



At no stage of the Allahabad campaign was any serious attention given to political ideas as distinct from personalities

Yet neither victory nor defeat would have proved anything either way, for the reality of what he is was clearly demonstrated long before the election, not least by the behaviour of his volatile "conscience." If Allahabad was in any sense a "referendum" it was one which invites some rethinking on the nature of the political process in this country. For this reason there is a great deal to be said for clearing the air by a snap general election irrespective of the Allahabad non-event masquerading as an election.

■ *N.J. Nanporia*

The author is the former editor of The Statesman *and* The Times of India.

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	ELV-1	ELV-2	ELV-3	ELV-4	ELV-6	ILU-6	ILU-7	ILU-8
MeV	0.4-1.0	0.8-1.5	0.5-0.7	1.0-1.5	1.2	0.5-2.0	2.0-3.0	0.5-0.8
kW	20	20	50	50	100	20	50	20

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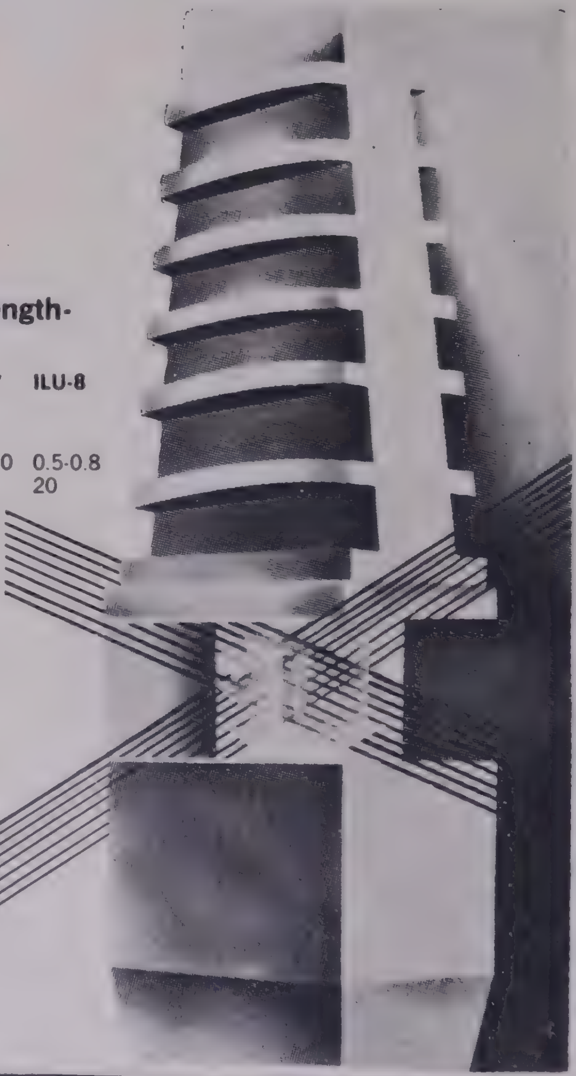

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HEADY SUCCESS

In an environment where market leaders such as Surf and Rin have taken severe beatings, it must be a source of much comfort to Hindustan Lever that the relaunched Sunsilk shampoo has, in a few months, upset the market hierarchies to emerge as the undisputed market leader.

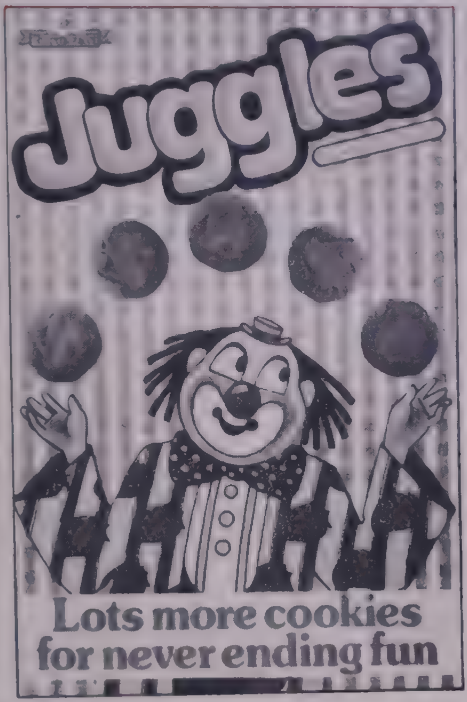
The shampoo market has for long been one of the most unexciting areas of consumer marketing. It lacked competition, innovative marketing and gimmicks at the trade or consumer levels. There were no hard sell trade promotions or persuasive consumer contests. The only activity in this product category was an occasional window display drive.

A year ago, Halo led the pack with Pond's and Lakmé quietly bickering for second and third place. Sunsilk was only an also-ran. Now, with the "new improved" Sunsilk available in daintier bottles,at an increased price, the market has suddenly perked up.

Much of the activity concerns the Sunsilk sachet. Priced at Rs. 2 for a 10 ml pouch, it might at face value seem an uneconomical purchase. But the 50 ml bottle costs Rs. 14.75, whereas 50 ml in five sachets costs just Rs. 10. In a single demonstration, Hindustan Lever has shattered the myth that bigger is cheaper.

Even at the retail level, the sachet represents a more viable investment, as long as the retailer does not buy from the company sales force. Hindustan Lever had retained a team of door-to-door salesgirls to hawk the sachet for trial purposes at a discounted price of Re. 1. Needless to say, much of the promotional stock found its way to retail outlets. Retailers were able to get a dozen sachets at Rs. 12 to Rs. 14 as against the company price of Rs. 22. With the retail margin zooming to nearly 100% as against the normal 10%, it is not surprising that the sachet redistribution has improved phenomenally. The sachet strip hangers have acquired prime positions at retail outlets thus creating a permanent display effect.

With such hectic happenings below the line, Sunsilk with minimal mass media exposure has managed to garner a close to 30% share of the Bombay market and an over 20% all-India market share. A heady success, indeed.


Juggles
Lots more cookies for never ending fun

TOUGH COOKIE

With a never-say-die attitude, Voltas is continuing its attempts to popularise the very British concept of cookies. For long, Britannia Industries Ltd. (BIL) has been the Rock of Gibraltar of the biscuit market, as other manufacturers like Parlé, Shalimar, Ampro and Pickwick have regional biases as well as uncertain supplies. A crack appeared in the Rock of Gibraltar when BIL made headlines after the discovery of nails in its coconut crunchies. Consumers commented disparagingly of the iron-reinforced biscuits and hunted for other products. Voltas thus made a timely entry with Juggles.

The new brand is the poor man's Cookie Feast — the earlier Voltas brand in this product category. The red-checked background, simultaneously reminiscent of the English tea shoppes and of the Cookie-Feast creative, authenticates Juggles' lineage to the more expensive brand.

All this notwithstanding, the new cookie is finding the going tough. The width and visibility of distribution achieved for Cookie Feast is most definitely lacking in the new launch.

One sympathises with the trade in being wary of accepting yet another Voltas product. The company must hold the rare distinction of being the only trading house to have eight product disasters in a row. The decline started when Voltas lost the distribution contracts for market leaders Amul and Rasna. The downslide continued with the Ju-C failure, followed by Beautiflor and Cookie Feast. Volfruit soft drinks and Volfarm ketchup were similarly given the boot by consumers, as was Goldnut refined oil. Tang from Kothari General Foods was suspended within six months. Brisk, a floor cleaner, cheaper than Beautiflor, never went beyond its test market — Madras.

STAR TREK

After marketing a host of confectionery items — hard-boiled sweets and Melody toffees, a full range of biscuits and the soft drinks trio Thums Up, Limca and Gold Spot — it is fitting that Parlé follow it up with a toothpaste to safeguard the dental health of consumers.

To follow up the toothpaste, Parlé has just introduced its Prudent range of toothbrushes. But toothbrushes, despite the level of mass media and below the line activity, have largely remained a commodity item. Brand loyalty in this product category has been poor. Ciba-Geigy tried to uplift the market by introducing a new concept of angular toothbrushes. So fast was the reaction of Colgate and Promise in launching similar angular brushes, that the Cibaca USP was lost.

As the hard sell of functional utility of the angular brushes had failed to elevate the consumer brand awareness and brand loyalty levels, Prudent has decided to appeal to the baser instincts of decorative utility. The Prudent range of toothbrushes has been categorised under the 12 Zodiac signs. Thus there are Gemini toothbrushes, distinctive from the Sagittarian ones.

As dental construction is unlikely to have been influenced by date of birth, Prudent will not have the temerity to add a functional value to their USP. But the rather unique branding strategy, which might be easily replicated in a host of other consumer items, is sure to generate sales among the stargazers and Linda Goodman followers.

■ *Kavita Gursahaney*

The author is a Bombay-based marketing executive.

STRATEGIC FAILURES

Competition in Indian industry is here to stay. Thanks to the liberal licensing policies, easier imports of both products and technology, rising consumer expectations and changing technologies, there has been a sea change in the marketplace. It would be fair to say that hardly any company in India enjoys monopoly power today. The pressure of competition is reported by chief executives participating in the annual surveys conducted by Consulting and Research Enterprise (Care) to be among their major concerns during the past three years. Strategy has become a buzzword among Indian managers and many executives are aware of, and use, techniques such as SWOT analysis, portfolio analysis, market segmentation, positioning, and so on, to aid decision-making.

The past three years have also witnessed the influx of a number of new share issues; new products and new product categories in the Indian market. Paradoxically, there have also been a number of knockouts of products and companies (although not highly publicised) in a country where we have long equated a "licence to produce" with a "licence to make money." Even big name companies with big name foreign collaborators have not escaped failure. One is tempted to say: "But, of course, there is a lot of competition now. It is to be expected." Competition does not explain everything, however. Careful analysis reveals that more often than not, these failures are the result of poorly conceived and implemented strategy.

In most companies, strategic decisions are based on the intuition and judgement of senior executives or the entrepreneur, and not on hard facts. Studies conducted by Care reveal that expenditure on market research is low and ranges from .01% to 1.3% of sales. Two out of three companies report that they spend less than .04% of sales on market research. Even where market research is resorted to, it is done primarily to estimate demand for new products in order to make investment decisions. Some do this only to satisfy financial institutions since they are already convinced that the project will succeed!

Many companies transplant the strategies employed by their collaborators abroad and expect them to thrive on Indian soil. However well conceived a strategy is (and a fair number of companies do this part reasonably well) the company may still flounder due to its poor implementation. Implementation hurdles can arise at any time but occur more often when the company enters a new market or new product category; when there is a change in strategy for whatever reason; when there is reorganisation, or when the company has grown much faster than anticipated and is unable to keep pace with the growth. Problems can occur in the product, advertising, promotion, distribution, pricing or sales management areas. Some typical implementation difficulties in the Indian context are discussed here.

More often than not, business failures are the result of poorly conceived and implemented strategy

- A computer company after careful market segmentation and product positioning studies decides to bring out a new computer system. Due to organisational problems in the product development phase, it is delayed by almost two years and becomes a victim of a change in technology which occurred during this period.
- A consumer durables manufacturer launched a new product with much fanfare only to have to withdraw stocks from the market a month later because of defects which could have been detected and corrected if the product had been tested under actual user conditions. Their haste to enter the market resulted in serious damage to the brand's reputation.
- A food products manufacturer launched a larger pack size in an attempt to load customers and pre-empt competition, only to find that retailers refused to carry the larger size because they didn't want to tie up more funds. They were not convinced that the product would sell.
- A TV manufacturer wanted to project a "quality" image and spent massive amounts on advertising only to find out six months later that the consumers did not get the message. The campaign was not pre-tested and the company assumed the consumers' perceptions were similar to its own. The company had also not reinforced the quality image with the result the TV recorded poor credibility among consumers.
- One company briefed a reputed agency on a new product they were to launch and left it to them to get the job done only to get a nasty surprise days before launch — they didn't like the campaign, but had to run it anyway. They didn't have time to change it before the launch date. This happened because there was little contact between the agency and the client — senior executives were always travelling and, because of the reputation of the agency, didn't feel it was necessary to follow up.
- Based on sales force feedback, a manufacturer of consumer non-durables launched a trade promotion campaign with the hope of selling more products. They found it had little impact on sales: the trade kept the discount and didn't pass it on to the consumers. They also didn't display the product. This happened because the salespeople had not followed through to make sure of the display or the prices.
- A confectionary manufacturer was enthused by the sales of his product in one region and decided to g national, only to find that the shelf life of the product wa low under the climatic conditions prevailing in some re gions of the country. These were much more severe tha

in the places where they first launched the product. The time of the year was also different, Huge losses resulted from the stocks having to be taken off the shelves.

- A consumer products company decided to reorganise and go the product management route as against the functional set-up of the past. Several months later they found this to be ineffective, largely because senior managers did not provide support to the product managers and help them through the rough initial phase.

It is clear from the above references that implementation problems can occur in a variety of ways. The causes are common, however, and may be one or more of the following:

- Too many managers believe that "success breeds success" and that what has worked well in the past or elsewhere, will work now too. They transplant systems and methods from other organisations. They often overestimate what they know and underestimate what they don't.
- In some companies, a problem is brought up at a meeting and it is decided that something should be done about it. Orders are given to the group, but the problem is still there when the next meeting comes around. The reason usually is that either no specifio individual is given the responsibility, or the necessary resources are not allocated for solving the problem. This happens with problems which fall between the slots of two functional areas.
- Too many new products are launched at the same time or too many strategic changes are initiated at one time with the result that nothing gets done well. There are a myriad details to be attended to and not enough people to do it or time to do it in.
- A chain is only as good as its weakest link. Insufficient training and supervision at the field level results in poor implementation of a perfectly good strategy. Similarly, a major promotion campaign can fail because stocks have not reached the retailers in time as they were held up somewhere in transit.
- Lack of attention to critical constraining factors delays project implementation. Many projects come on stream in backward areas only to find they can't get the product to the market for lack of transportation infrastructure.
- Systems are imposed upon people without consultation. Consequently, they feel alienated or threatened, and believe that any information provided will be held against them. They, therefore, refrain from providing any information, thus sabotaging the system.
- The amount of marketing effort required is routinely underestimated with the result that resources both financial and human are found lacking at critical moments.
- The area of advertising is particularly plagued by the fact that "everybody is an expert" and chief executives have ego problems in almost anything to do with the company image. As a result, decisions on campaigns are often based on what the management likes rather than on how the target market would react. Frequently, the results of exhaustive research are ignored and gut feelings take precedence.

The solutions to such problems lie in the obvious and commonsense approaches such as those recommended in popular management books like *Passion for Excellence*. The first thing to remember is that in marketing, which operates largely in the realm of uncertainty, Murphy's law prevails at all times: Anything that can go wrong will go wrong!

Clearly, many of the problems can be located at an early stage if sufficient attention is given to detail. The steps required to implement a strategy have to be outlined and responsibility has to be allocated for specific tasks to specific individuals. Nothing can be assumed to be automatically carried out, unless somebody is assigned to make sure of it. Delegate all you can, but monitor the progress of the implementation by keeping track of key indicators.

The top management must be more accessible and willing to really listen. Too often, annual sales conferences or branch meetings end up being one-way lecture sessions with the leaders spouting wisdom, and followers dutifully nodding their heads. Indian managers would also do well to shed some of their traditional views about how important people should behave, and be more accessible to their employees, so that those on the line are encouraged to share information.

> *Indian managers should shed some traditional views about how important people should behave and be more accessible to their employees*

Senior management must get involved at the level of the customer. Only when management demonstrates that it believes proximity to the customer is important, will others in the organisation believe it. Top management sets an example by its actions. Junior executives get their cues from what top management does, not what it says. This will help in anticipating and pre-empting problems before they achieve serious proportions.

At the risk of repeating themselves and being perceived as boring and predictable, senior managers must keep drumming in the company's objectives and philosophy so as to develop a sense of identity down the line. Even the most hardened cynics can be converted if the top management consistently adheres to certain values.

It is important to choose the right person for each job. This goes a long way towards improving productivity and morale. Initiative on the part of employees should be rewarded and they should not be afraid to take decisions which at times may be outside their authority, if it is in the overall interest of the company. Critical actions delayed due to procedural hang-ups only give cause for regret later.

"Management by persuasion," which is the code by which good product managers live and do their jobs, holds equally well for all other jobs and for all levels in an organisation. People will willingly work far beyond what is required, because they want to and not because they have to. Good managers get things done in the worst of circumstances because they have the ability to persuade. If all this fails it is really a problem of strategy!

■ *Dr. Sushila Rao*

The author is a Hyderabad-based marketing consultant.

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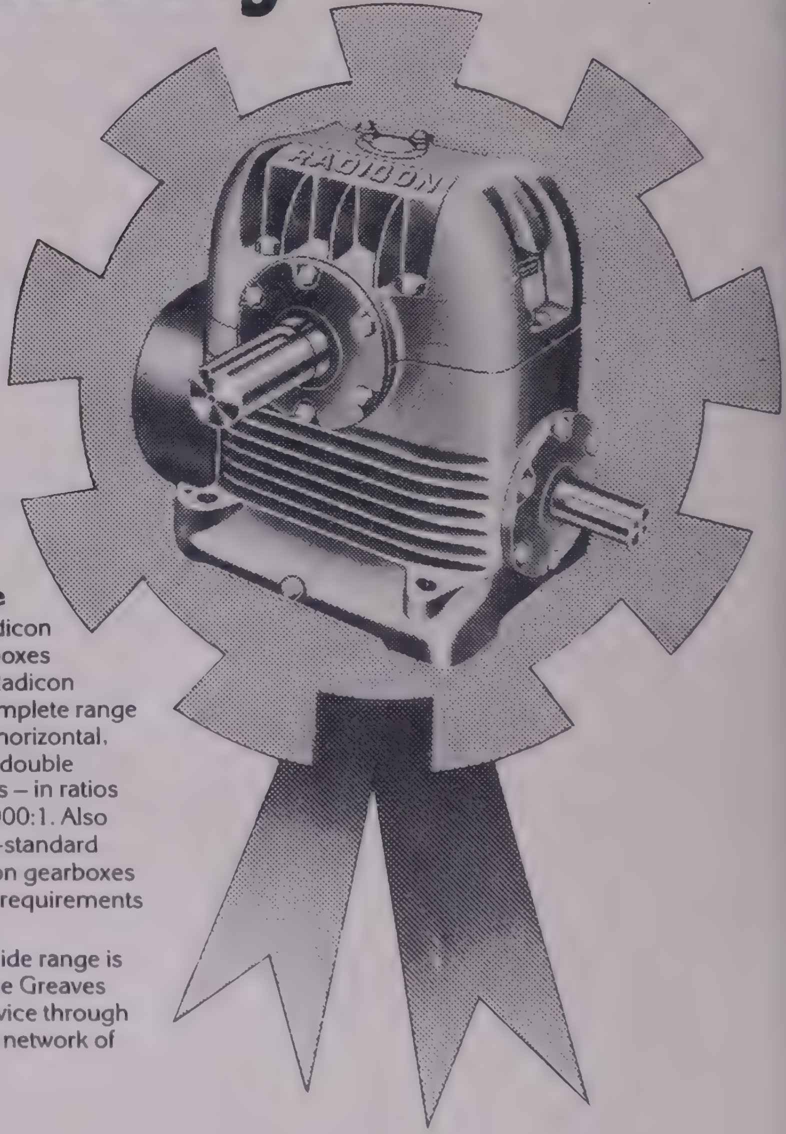

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BOFORS ON THE BOX

Rajiv Gandhi's new media managers have scored a tremendous propaganda victory in telecasting two programmes on the raging Bofors controversy, presented by the redoubtable Vinod Dua. The very choice of the subject — something that was considered taboo by the former mandarins of Mandi House — was daring, to say the least. It aroused the curiosity of viewers, who had assumed, with considerable justification, that the telecast would do a sloppy cover-up job, with glaring holes in the official defence.

Nothing of the kind. In fact, the first programme only whetted the appetite, what with Arun Singh's veiled hint of more revelations in the second round. The inexplicable axing, on the following Saturday, of Dua's high-profile *Aaj Kal* in favour of a clumsy programme on the new Indian film only confirmed viewers' suspicion that Mandi House had decided that enough was enough; the period of *glasnost* was over and it was time for hatchets to be wielded once again.

A full fortnight later, however, there was Dua's benign countenance filling the screen yet again. This was TV journalism at its dramatic best, because the programme had lined up, as was widely advertised, no less than the prime suspect himself — the elusive Win Chadha. If anyone succeeded in damaging his already tarnished reputation, it was Bofors' former agent in Delhi. He did, indeed, "protest too much": his revelation that the fee he was paid for his labours by the Swedish company was for attending to sundry jobs like repairing a flat tyre, if the need arose. Dua chose to move in for the kill in his mild but meaningful manner, and with one off-the-cuff remark — about the very high price being paid for doing such lowly chores—punctured Chadha's reputation effectively.

NO EXPOSURE

Yet, as the programme wore on for some three quarters of an hour, and the *dramatis personae* made their appearance on the box, the realisation dawned that this was no exposure of the government at all. On the contrary, by attempting to appear even-handed, an impression of fairness was created but nothing was pursued to its logical conclusion. In retrospect, perhaps, Arun Shourie's decision not to collaborate was wise.

Whatever the claims and counter-claims on the Bofors arms deal, some uncomfortable facts remain. The Swedish company itself has confirmed that it paid a commission. To whom was it paid? Is the practice something that the Indian government turns a blind eye to? Isn't it true that by placing key aides in certain ministries (notably defence), the prime minister was well-placed to channelise kickbacks into the coffers of the Congress(I) if the need ever arose?

One would have thought that with N.D. Tiwari and Gopi Arora, among others, presenting themselves on the firing line, Dua would have let go with both barrels. But the entire programme descended to an inconsequential discussion of non-essentials, like the plus and minus points of the howitzer. What is more, in a sophisticated demonstration of casuistry, Dua played with the phrase "circumstantial evidence." If nothing was actually proved, how valid were the allegations against the government by the opposition?

This kind of verbal jugglery might be fine in any other context, but not when it comes to an allegation of extreme seriousness against the ruling party, a controversy which shows every sign of snowballing rather than dying down. Dua, mesmerised by the new-found power he can exert on TV, turned his gaze on Ram Jethmalani, who tied himself in knots over his defence of the Hindujas. Dua also raised a counter-allegation about Jethmalani's frequent trips abroad: how could he defend himself against smears that anyone could make as to the source of his resources abroad? The renowned lawyer, already hot under the collar with his claim that the Hindujas, owning a multi-dollar business empire, wouldn't be interested in the small sums of money that the Bofors deal represented, looked positively ill at ease as he attempted — unsuccesfully — to extricate himself from the embarrassing situation.

This programme was not the occasion to score cheap debating points over the "chief inquisitor" in the Bofors imbroglio, as it were. Where was the investigation, the uncovering, that Dua ostensibly promised his viewers? It was lost in the welter of opinions and defences. If everything is circumstantial, the programme seemed to be saying, nobody can raise a finger against anyone. It was a very slick exercise in covering the tracks of the government by resorting to double-speak.

As the programme wore on, th realisation dawned that this was no exposure of the government at all

Media management is a new portfolio in Delhi. Previously, the attempt was ostrich-like: any awkward development was simply buried under the carpet as far as radio and TV were concerned. But now, with newspapers (including the normally staid *Hindu*) mounting a fierce artillery attack, the government can no longer claim that the muck-raking is the work of only one bellicose paper, the *Indian Express*. The Saturday night prime-time slot was, perhaps, its subtle counter-offensive. How else does one explain the fact that a programme that promised to reveal all only succeeded in camouflaging the real issues?

It is all very well to edit interviews after they have been conducted and cut from point to counter-point. What does it establish, except the feigned superiority of the presenter himself? This is not to call for a return to the old-style "see-no-evil" stance of TV but to question its supposed searchlight, the power of which is often several times more penetrating than a newspaper exposé. In the ultimate analysis, however, the print medium has to stand up to greater scrutiny: it is a matter of record, rather than a weekend's entertainment.

■ *Darryl D'Monte*

The author is a former editor of Indian Express, *Bombay*

ALLWYN NISSAN: ENTER MAHINDRAS

It has been a bumpy ride right from day one for Allwyn Nissan Ltd. And now just when the ailing light commercial vehicle (LCV) manufacturer thought it had found a sugar daddy, politicians are trying to throw a spanner in the works.

What has set the dovecotes all aflutter in Hyderabad currently is the move by Mahindra & Mahindra (M&M) to take over the limping unit. The deal was at an advanced stage of negotiation at the time of writing, the operative part of it being that the original promoter, Hyderabad Allwyn, would sell off 26% out of the 36% stake held by it to the Mahindras.

And it is this public confession of incompetence that opposition politicians are trying to make capital of. Allwyn Nissan is a state government-owned company and to flog it off to the private sector is anathema to many.

Congress(I) leaders have quickly pounced on the issue to get at the N.T. Rama Rao government. MLA and Hyderabad Congress president P. Janardhan Reddy has been decrying the deal from the rooftops. When last heard of, he was threatening to join hands with the trade unions and launch an agitation.

Given the political dimensions of the issue it is understandable that company executives made themselves unavailable for comment. "We are still negotiating," was all M&M chairman Keshub Mahindra would commit himself, when contacted by *BusinessWorld* on 4th June.

The Mahindras have to pay their pound of flesh for the deal. Aside from the Rs. 6 crores for the 26% equity stake, M&M has agreed to pump in another Rs. 5 crores to Rs. 6 crores for Allwyn Nissan's development programmes.

The Mahindras have also had to give a number of assurances to the Andhra Pradesh government. First, they have assured steady growth of the unit with the promise that a Rs. 100 crore turnover target will be hit within the next four years. Secondly, there will not be any retrenchment of the workforce. And, finally, there will be a focus on ancillarisation to help other units in the state.

For M&M the takeover is in tune with its plans to strengthen its presence in the LCV market. It has been taking quite a beating of late. With the arrival of four companies with Japanese tie-ups — Allwyn Nissan, DCM-Toyota, Swaraj Mazda and Eicher Motors — in 1985, it has steadily lost market share. In 1984 it hogged a 33% share of the market; by 1987 this had come down to 18.5%.

Fitting companion. In some ways it will find a fitting companion in

KESHUB MAHINDRA: CAN HE STEER ALLWYN NISSAN OUT OF DANGER?

> *For both the Mahindras, struggling for market share, and Allwyn Nissan, struggling for survival, it will be an uphill ride*

Allwyn Nissan. The company flagged off 1985 with sales of 1,098 vehicles. It did a bit better the next year with 1,327, only to come a cropper in 1987 with sales of only 937. And that's against a licensed capacity of 50,000 units and an installed capacity of 5,000 units.

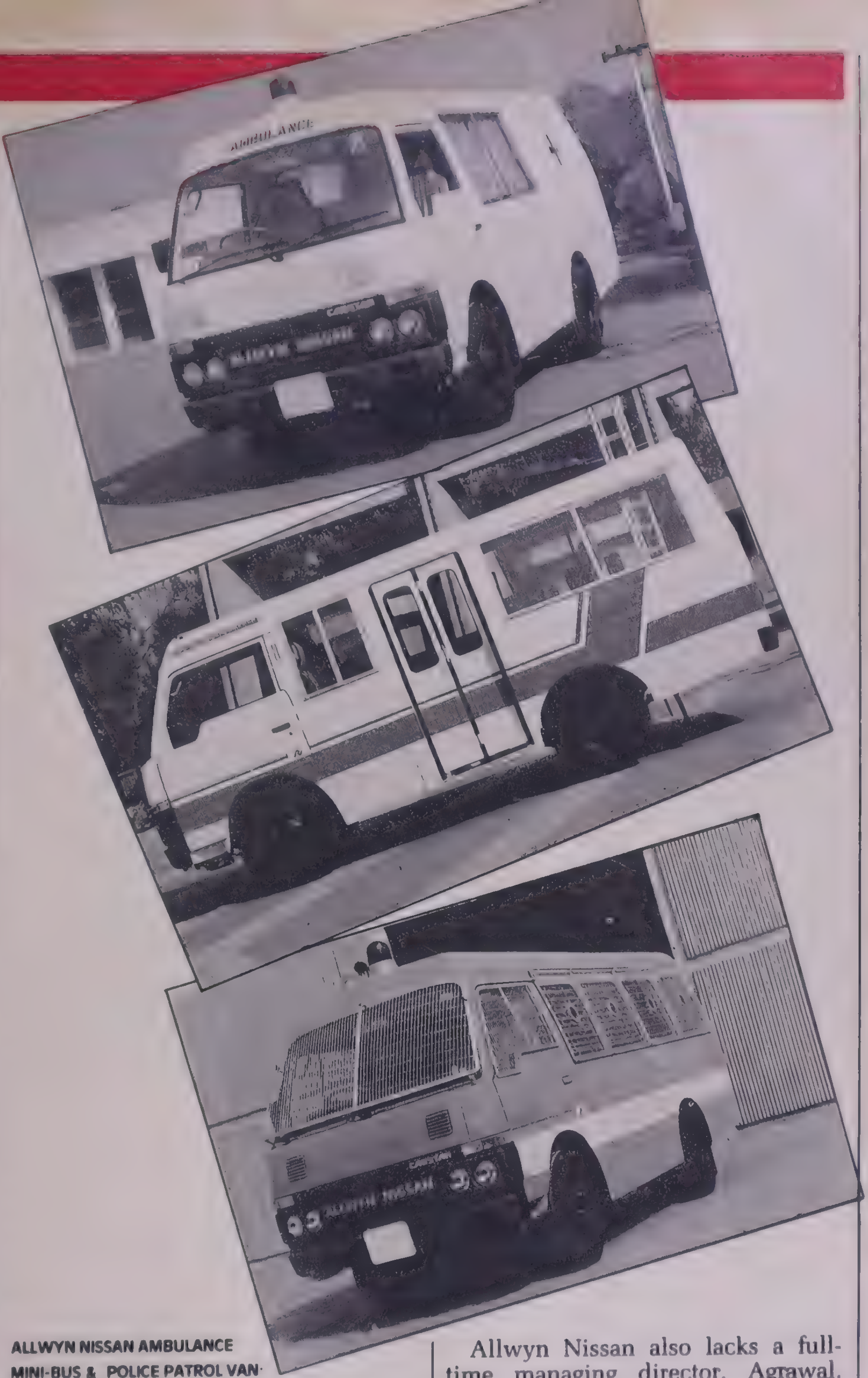
Allwyn Nissan is a state-owned company and to flog it off to the private sector is anathema to many

What went wrong? In the first place it was a rather brash assumption that the market was poised for growth. It was; but not at the prices at which Allwyn Nissan could churn out its vehicles.

There were several factors working against the company. The Japanese yen rose sharply against the rupee and the increased cost of the completely knocked down (ckd) imported kits sent earlier calculations haywire. In addition, 1985-86 brought a budgetary hike in customs and excise duties, and Allwyn Nissan soon found itself in the ditch.

It would, no doubt, have disappeared without a trace had everybody not chipped in with help. The foreign collaborator, Nissan Motor Co., which has a 15% financial stake in the company, gave a discount on the ckd kits. The Centre spared the tax axe and the excise on LCVs was reduced by 50%. The Andhra Pradesh government threw in a two-year sales tax subsidy and did all it could to coerce state sector undertakings and local bodies to buy from Allwyn.

Red bottomline. But all to little avail. Today, the company is sitting on nearly Rs. 7 crores of accumulated losses. On a Rs. 16.54 crore turnover in the year ended June 1987, the bottomline showed red to the extent of Rs. 3.65 crores. And worse is in store. Said chairman R.P. Agrawal in his last report to shareholders: "The impact of (the rising) yen will be felt much more severely during 1987-88." The bottomline will surely look bleaker when the current year's results are trotted out.


ALLWYN NISSAN AMBULANCE MINI-BUS & POLICE PATROL VAN GOING DOWNHILL

There are other problems too. The initial product — the Cabstar — had technical defects. Although a new model has been introduced, buyers are chary.

Nissan, with its reputation for quality, is reported to be unhappy with its Indian venture. It is understood that two of the four Nissan executives, who are on deputation at Allwyn Nissan's Zahirabad plant near Hyderabad, have been called back. Whether Nissan will pull out after the Mahindras takeover is anybody's guess.

Allwyn Nissan also lacks a full-time managing director. Agrawal, who is currently handling the day-to-day activities of the company in his capacity as chairman, obviously has too much on his plate already since he is the managing director of the Hyderabad Allwyn.

None of this augurs well for Allwyn Nissan. So a Mahindra takeover, accompanied by financial and management inputs, should be a boon. But one thing is clear. For both the Mahindras, struggling for market share, and Allwyn Nissan, struggling for survival, it will be an uphill ride.

■ *P. Swami & Diwakar Rao*

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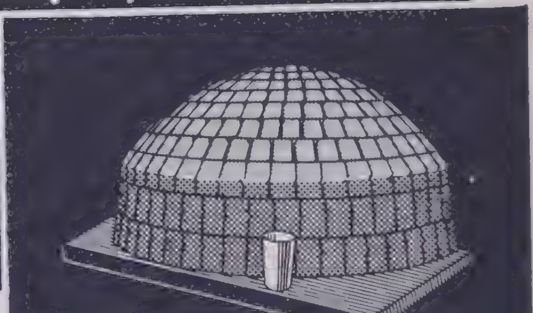
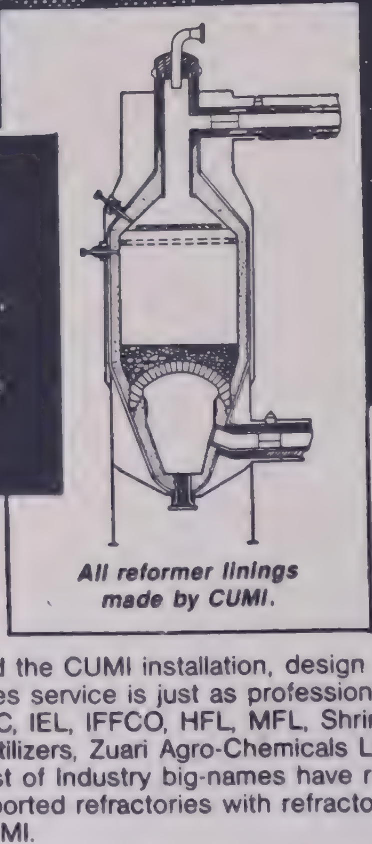


Dome shape refractory for reformers



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A SUCCESSFUL EXPEDITION

When Expedition:India concluded its three-week run in the US on 4th June, it was by any reckoning an impressive show. Merchandise worth $100 million ranging from apparel and shoes to home furnishings was displayed in over 700 J.C. Penney department stores throughout the US. It was the largest such promotion of a country ever mounted by the US retail giant and perhaps by any US retailer. To move the 700 tonnes of merchandise, eight Boeing 747 charters, 200 ocean containers and several Air-India flights were needed, which gives an idea of the magnitude of the show.

"It was the biggest display of Indian merchandise by any department store or fair anywhere in the world. As a result, I expect business to go up this year by 50%," says Binay Kumar, chairman and managing director of Banaras House Ltd., J.C. Penney Inc.'s agent in India. "Our wares sold so well that J.C. Penney managers asked themselves, "Why didn't we buy more?"

With Expedition:India, the country's export strategy has changed tack. The objective now is to directly approach the large retail chains, because they are the major buyers of consumer goods in the West. Also, they provide direct and mass exposure to foreign markets and have been playing a key role in promoting products of the developing countries.

Good candidate. J.C. Penney was the ideal candidate: it is not only the world's largest apparel retailer, but also the third largest retail chain (after Sears and K-Mart) worldwide. Penney has, moreover, already held a number of country promotions in the past. And, having been an importer of Indian consumer goods through Banaras House for a decade, they thought India was a good candidate for their next country promotion.

"What we need is more marketing rather than pure selling — more merchandising," says Kumar. As this required detailed planning, the Trade Development Authority of India (TDA) and the Apparel Export Promotion Council (AEPC) were also involved. The mistakes made by Penney in their Italian and British promotions of 1984 and 1985, and by Bloomingdale's in their India promotion of 1986 also had to be avoided. None of the earlier promotions were very successful, explains Kumar, because in each of these cases the goods displayed turned out to be too upmarket and hence not very saleable. "But Expedition:India was a popular rather than an exclusive exhibition, aimed at middle-income America. That's why it was so successful," he points out.

The ball was set rolling when J.C. Penney vice-chairman David F. Miller visited India in the autumn of 1986 to inspect an exhibition of exportable wares arranged by the TDA, AEPC and Banaras House. Over 100 suppliers set up stalls at Delhi's Maurya Sheraton Hotel and, as Kumar puts it, Miller and his team were impressed enough to consider a full-scale country promotion. More visits by scores of Penney's buyers followed in March 1987, and suppliers were visited and samples ordered from Bombay, Bangalore, Madras and Jaipur. Ultimately, merchandise worth Rs. 23 crores was bought from 35 exporters. The success of Expedition:India may well help these 35 exporters strike gold. Kumar, just back from the US, explains that Penney intends to step up purchases from them in the future. "It is more difficult to find good suppliers in developing countries than to find good buyers abroad," he observes.

The scope of the exposition was wide in itself: textiles, handicrafts, silks, jewellery, home furnishings, garments, leather goods, etc. But its success may now pave the way for many such promotions for other goods. Kumar, for instance, has also led an expedition to France to explore the possibility of processed food exports to that country. "We plan to export exotic food products like pickles, chutneys, curries, etc. After food, we will pick up more products. Tea is a possibility — our marketing of this commodity is very poor at the moment," he says.

The accent is clearly on marketing and merchandising. And that may augur well for Indian exports

■ *Rajiv Shirali*

INDIAN EXHIBITS: ATTRACTING THE MIDDLE-INCOME AMERICAN

ISPAT GROUP SHOWS ITS METTLE

Suddenly, a lot of people are sitting up to take notice of a nondescript matriculate who was virtually an unknown entity in Indian industry only five years ago. Mohan Lal Mittal's quick emergence as a steelmaker with mettle has served to breathe new vim into India's innovation-starved and largely low technology steel and steel derivatives manufacturing sector. Two of his newly spawned companies — Nippon Denro Ispat Ltd., Nagpur (1985) and Ispat Alloys Ltd., Balasore (1986) — have already begun paying out dividends, while a third (Ispat Profiles India Ltd., Pune) begins commercial production this fortnight. Mittal (62) is confident that his Calcutta headquartered Ispat group (current Indian assets: Rs. 218 crores) will graduate to the top 10 of Indian industry at the turn of this decade.

And well it might. Flushed with optimism in the wake of his successful track record as a steelmaker in Indonesia — his Surabaya-based company PT Ispat Indo (assets: Rs.55.2 crores), exports 40% of its production to the US, Japan and South Korea — the unassuming Mittal packs a brashly aggressive entrepreneurial style. Both Nippon Denro Ispat Ltd. and Ispat Alloys Ltd. have commenced implementing their expansion and diversification exercises costing Rs. 125 crores in aggregate. A massive Rs. 850 crore additional investment plan for further backward integration into sponge iron and hot rolled coil making has been blueprinted and awaits the governmental nod. Once it gets going — Mittal hopes it will, touch wood — a place amongst the big leaguers (*cf.* the current 10th ranker Bajaj group's assets: Rs. 777 crores) cannot be ruled out.

TECHNOLOGY PIONEER

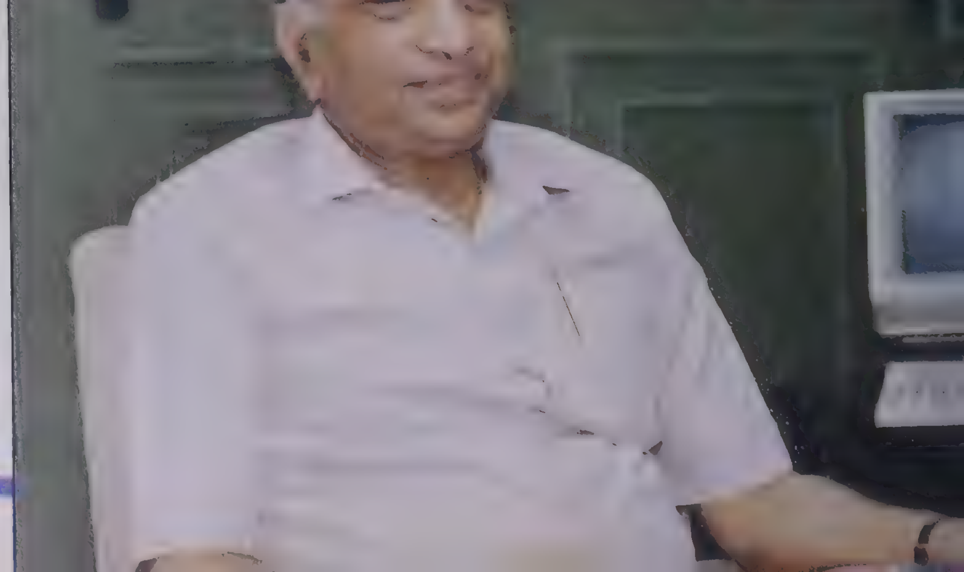
It is a moot point, though, whether the promotion of large projects is an act sufficient in itself to catapult the entrepreneur to a permanent place in the sun. Mittal's claim to fame is more fundamental. He has pioneered the induction of state-of-the-art technology in steel derivatives manufacture, introduced a series of 'first time in India' import substitution products and brought in Japanese style management techniques in a traditionalist sector — coupling all this with an exemplary project implementation track record at home and abroad, devoid of time and cost overruns. Not surprisingly, the financial performance of his companies has been excellent so far. Points out Mittal (see interview, p.22) with obvious satisfaction: "Our companies in India have paid dividends in their very first year of operations."

Paradoxically, Mittal acknowledges that the second leg of his career in India (beginning 1983) would not have met with the kind of success it has but for the lessons he learnt from his Indonesian experience. To understand this point, one has to go back to Mittal's earlier track record in business. In 1946, he set up shop as a trader and commission agent at Karachi. After partition, the 21-year-old Mittal migrated to Hardoi (UP). In 1951, he moved to Calcutta ("I felt Hardoi was too small a place to offer growth prospects in business") and, on a friend's suggestion, set up a steel re-rolling mill. So began the first leg of his career in steel.

During the fifties and sixties, the family business grew along predictable lines. They set up Andhra's first steel rolling mill at Visakhapatnam in 1957, and one by one expanded the chain until a dozen such mills were in operation by the early seventies. By that time, the Mittals might have been making reasonably good money, but by all accounts their operations were unglamorous, unexciting and humdrum. Needless to say, they were scarcely known except within the limited confines of their own business circle.

As things have turned out since, Mohan Lal Mittal's painful decision in 1976 to dissociate himself from his brothers ("because of some differences") and go it alone proved to be the happy turning point in his career. Partly because he sought a change of

M.L. MITTAL: AGGRESSIVE ENTREPRENEUR



scene, and partly because he wanted a free rein to think big, he went to Indonesia to start anew.

INDONESIAN EXPERIENCE

Mittal had an astute reason for choosing Indonesia as his destination: the country was starved of steel. Accordingly, he saw an opportunity of a lifetime to graduate to the status of a big-time steelmaker. "The Indonesian government was reluctant to believe me when I promised to put up the plant in 14 months. But we did it. Trial runs began in exactly 389 days," recalls Mittal, harking back to 1978.

Today, the closely - held and eminently profitable PT Ispat Indo (in which Mittal has an 18% shareholding) has a turnover of around Rs. 64 crores and manufactures 390,000 tonnes per annum (tpa) of steel billets and 234,000 tpa of wire rods, using scrap and sponge iron as raw materials. The company is managed by his non-resident son Lakshmi Nivas (34) who lives in Surabaya (Indonesia) and is its managing director.

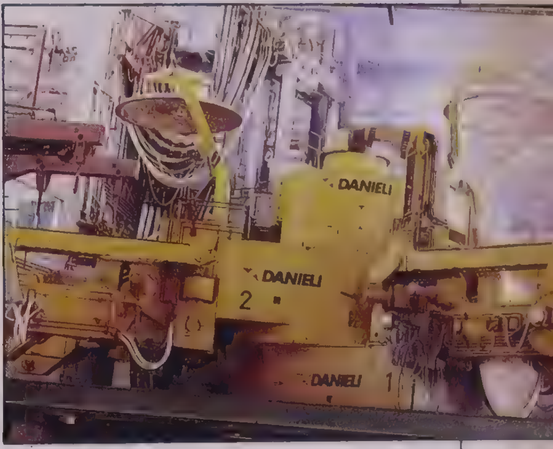
The chief executive of PT Ispat Indo R. Vijayaraghavan (52), a former Mukand Iron executive who joined the unit in 1976 at its project stage, explains why the Indonesian experience served as the Mittals' baptism into big business. "Setting up the Surabaya plant brought along the need to unlearn several things as well as to learn new lessons. Amongst the things unlearnt were how to live without a protectionist umbrella and without the availability of the government as a moderating agency. The things learnt included how to be on one's own feet and how to compete in a global situation. Translated into steel parlance, this means high productivity, high quality and low cost, all of which Ispat Indo has achieved. The invaluable Indonesian experience is a major intangible strength of the Ispat group," says Vijayaraghavan, who visits India frequently for talks at the group headquarters in Calcutta and to inspect the Pune plant of Ispat Profiles India Ltd., of which he is a non-executive director.

> *Well before the actual product is in sight, the Railway Board has placed an order for H-beams*
>
> **Ashok Khinvasra**
> vice-president (marketing), IPIL

Explaining how the experience gained overseas has been put to good use while strategically positioning the Ispat group's Indian entry, Vijayaraghavan says that the "basic aim" of the group is to create an impregnable market niche for itself in this country. To this end, the twin policy planks are clearcut — first, to go in for the manufacture of steel derivatives which are being imported and, secondly, to only introduce products of internationally acceptable quality standards.

PRODUCTION INADEQUACIES

In the Indian context, such basic policies are clearly viable for several reasons. The domestic steel sector is plagued by production inadequacies thanks to badly implemented projects using technology of uncertain vintage. In particular, several steel derivatives are not being manufactured in India, a shortcoming which is costing the nation dear in terms of foreign exchange drainage. For instance, hot and cold rolled coils worth a staggering Rs. 1,500 crores are being imported annually while the outgo on scrap and sponge iron (the raw material for steel producers using the arc furnace route) is estimated at about Rs. 700 crores. Even essential items



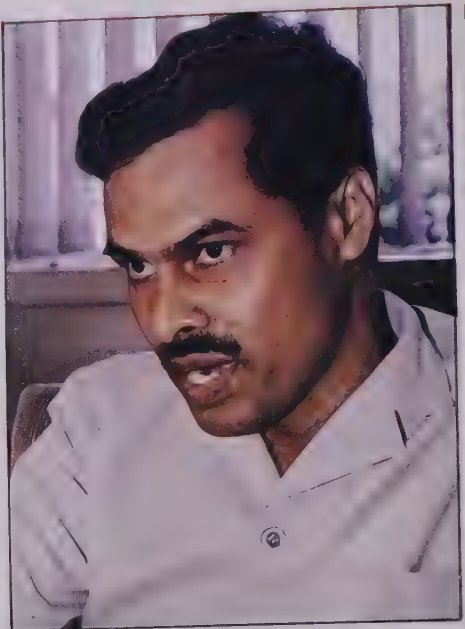
AN IPIL ROBOT

VIJAYARAGHAVAN:CREATING IMPREGNABLE MARKET NICHES

like rails face a shortfall in output of up to 200,000 tpa (import cost: Rs. 240 crores) while essential structurals like H-beams are not being manufactured at all. (Construction projects in this country have to make do with antiquated I-beams.)

In a small but significant way, the Ispat group is seeking to plug the gaps in at least some of these areas. Its maiden venture — Nippon Denro Ispat Ltd. (NDIL) at Nagpur — introduced thin gauge (0.18-0.5 mm) galvanised steel sheets ("a 100% import substitution item") in 1985.

Similarly, the Rs. 144 crore Ispat Profiles India Ltd. (IPIL) unit near Pune incorporates the country's very first universal mill. (Surprisingly, a universal mill has not been planned even for the Rs. 9,000 crore Vizag steel plant.) The IPIL plant will manufacture H-beams and rails, conserving precious foreign exchange for the nation. Its sophistication allows for bloom sizes large enough to enable the production of carbon and alloy steel with a heavy reduction ratio. "Only a few units produce sizes above 90 mm. We can go up to 280 mm," asserts IPIL's Pune-based senior vice-president D.D. Dhole (56).



RAO: ENTHUSIASTIC

SINGH:MATCHING SUB-SYSTEMS

The marketplace advantage of not having domestic competitors initially is obvious. "Already, in anticipation of H-beam production and even well before the actual product is in sight, the Railway Board has placed an order for 7,200 tonnes worth Rs. 5 crores. Orders for 20,000 tonnes of rails are also in the process of finalisation," avers IPIL's enthusiastic vice-president (marketing) Ashok Khinvasra (44), who is a mechanical-cum-metallurgical engineer from Poona University and an MBA from IIM, Ahmedabad. He adds: "In order to provide a stable load to the production set-up, I have aimed to provide an advance order booking of six months. Accordingly, when production starts at end-June we will know exactly what to make and when, several months in advance."

P.K. MITTAL:TOMORROW'S PLANNING TODAY

BRIGHT PROSPECTS

The prospect of being in a seller's market no doubt lends immediate bottomline advantages. But according to Khinvasra, not having to use hard-sell techniques (quite the opposite of launching a consumer product, one might add) is only a relatively minor cost advantage. The crux is in the high value-added content of the products. The arithmetic is simple. Scrap costs around Rs. 3,500 per tonne, whereas in its sophisticated market niche IPIL's likely value realisation will be above Rs. 10,000 per tonne. "IPIL's profitability prospects are very bright," notes Dhole (quoted earlier).

The same kind of arithmetic holds good for the group's small but nonetheless hi-tech venture based in Orissa, Ispat Alloys Ltd. (IAL — sales: Rs. 10.4 crores in 1987). The high value-added conversion process at IAL's sophisticated plant based on Norwegian technology takes in quartz valued at around Rs. 100 per tonne at one end and produces high (98.5%) purity silicon metal worth Rs. 35,000 per tonne at the other. Although the process guzzles power second in quantum only to aluminium manufacture, the profit margins are ample. "A maiden dividend of 10% was declared for 1987, which was the first year of the company's operation," notes IAL's youthful president M.R. Rao (39) an electrical engineer from Andhra University.

Here too, the choice of the projec has been in tune with the group' twin policy planks cited earlier. Silicon metal requirement in India is currently placed at around 7,000 tpa. It i used as a base material for several applications in the electronics, chemicals and aluminium industries. Ther are many takers for IAL's produce True to style,a Rs.10 crore investmen slated to double the company' capacity in May 1989 is under execution. Enthuses Rao: "The expansio of India's primary aluminium an automobile sectors is creating a grea ter demand for silicon. We expect our entire expanded production of 5,000 tpa to be sold without much difficulty."

No doubt, IAL is an apposite example of how a well-chosen and punctually implemented project can be profitable even from day one. But an even better example is provided by the group's maiden venture in India — NDIL. To make the point, it might be instructive to chart the three-year-old company's path of progress.

The Nagpur plant licensed to manufacture 35,000 tpa of thin gauge galvanised steel sheets was commissioned in October 1985. Being an import substitution product, and that too of high quality, the sheets sold like the proverbial hot cakes — in some markets, even at a premium. With capacity utilisation kept going at 120% in the first year (1985-86), NDIL was able to declare a handsome 20% dividend. "This proved that the technology was right, the equipment was right and that our technicians were properly trained," says Pramod Mittal (31), managing director of NDIL and the second son of M.L. Mittal. Incidentally, the plant and know-how came from Nippon Denro Manufacturing Co. Ltd. of Japan.

By 1987, two major expansion programmes were under way at Nagpur. As part of a backward integration move, a Rs. 95 crore cold rolling mill complex (capacity: 125,000 tpa) with the thickness of coils ranging from 0.11mm to 1.2 mm was planned in technical collaboration with Hitachi Ltd. This will go on stream by August. Also under implementation is a Rs. 10 crore forward integration project slated to manufacture 50,000 tpa of polyvinyl chloride (PVC) and colour coated sheets from early next year. Both cold rolled coils and colour coated sheets are import substitution items.

SECRET OF SUCCESS

These two projects apart, an expansion of NDIL's basic galvanising line from 35,000 tpa to 125,000 tpa is also under way. Once the expanded production line is commissioned in January next, the company's sales for financial 1988-89 are expected to climb to Rs. 225 crores. Says Pramod Mittal: "Would you believe it, the trebling of our galvanising line has cost us only Rs. 10 crores. This has been possible because a lot of the infrastructure had been incorporated and provided for at the project's first stage itself. The secret of our success, if one may use the term, is that in planning any project we look ahead by at least five years. And even while implementing the project, we continuously keep on updating it with technological improvements. In other words, we do tomorrow's planning today."

The Ispat group takes a farsighted view of the future of steel industries in India and the world over

Toshio Suzuki
managing director
Nippon Denro Manufacturing Co.Ltd.

By early 1989, with the additional investment of Rs. 115 crores at Nagpur completed, NDIL will be manufacturing as many as three import substitution steel derivatives — cold rolled coils, thin gauge galvanised sheets and colour coated sheets. The common raw material is hot rolled steel coils, the demand for which is being met through imports from Japan and Europe to the tune of 800,000 tpa.

AMBITIOUS PLANS

Characteristically, in consonance with the Ispat philosophy of plugging the drainage from imports, an ambitious plan for the manufacture of 600,000 tpa of hot rolled coils has already been blueprinted. The Rs. 700 crore project which envisages sponge iron making, steel making and a conversion process to slabs and then hot rolled strips will be undertaken under NDIL's aegis. Once under way, it will increase the company's asset base to the Rs. 800-900 crore range and transform NDIL to a big leaguer in its own right. "The project profile is ready, along with the selection of technology and collaborations plus funding plans. On our side, we are ready to take up the project as soon as governmental approval is received," says Pramod Mittal. (Incidentally, the other applicants for a licence to manufacture hot rolled coils include the Chhabrias, Tata Steel, the Ruias of the Essar Group and Aditya Birla.)

Yet another expansion plan awaiting clearance is a Rs. 150 crore, 500,000 tpa sponge iron project. The yet to be named company is likely to set up its plant either in Orissa or Madhya Pradesh. It will manufacture sponge iron to feed both IPIL at Pune and NDIL at Nagpur with surpluses (if any) left for domestic sale. Apart from the hot rolled strips and sponge iron projects, the Mittals are actively pursuing with the authorities a Rs. 400 crore project proposal for the manufacture of special application steel tubes hitherto being imported into the country at a recurring foreign

THE ISPAT GROUP

	1987 *(Rs. crores)*	
Company	Sales	Assets
PT Ispat Indo*	64.1	55.2
Nippon Denro Ispat	87.4	78.6
Ispat Alloys	10.4	17.3
Ispat Profiles	—	122.2
Others	14.3	19.9

Note: PT Ispat Indo figures converted at Indonesian
Rupiah 10,000 = Rs.79

Source: Annual reports * 1986 figures

'I AM INTERESTED IN BIG PROJECTS ONLY'

Mohan Lal Mittal (62), whose education stopped with matriculation, is a down-to-earth, practical, result-oriented person who believes in sticking to the knitting and doing what he knows best — making steel and its derivatives. His second career in India is only five years old, yet Mittal is already in the running for admission to Indian industry's hallowed Top Ten list. How did he do it? Mittal told BusinessWorld *about his experiences and approach in an exclusive interview. Excerpts:*

■ On why he quit India and moved to Indonesia.

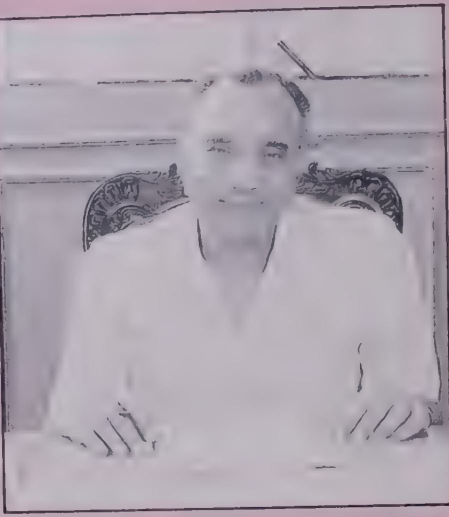
At that time, because of some differences, I made up my mind to dissociate myself from the family business. The next thing I had to decide was what to do. I had always nursed a vision in my mind of setting up a big steel mill on my own. This was not possible in India because of licensing restrictions. But in Indonesia there was very little by way of domestic steel production and so steel was being imported. I thought that by putting up a mill there we could help close the gap. Indonesia did have licensing restrictions, but I convinced the government and got a licence. So PT Ispat Indo was born. Commercial production began in 1978. The plant was commissioned in only 14 months.

■ On the size and scale of the Indonesian operations.

The total investment so far in Ispat Indo amounts to $80 million. The rupee equivalent of annual sales is about Rs. 64 crores. Using scrap and sponge iron as raw materials, the 800-strong factory makes 234,000 tonnes per annum (tpa) of wire rod and 390,000 tpa of steel billets. I might add that our productivity levels in Ispat Indo match international standards.

■ On ownership of Ispat Indo.

It is wholly managed by us, with my eldest son Lakshmi Nivas as managing director. As far as the equity is concerned, Indonesian nationals hold 20%, we control 18% while the rest (62%) is distributed amongst several non-resident Indian investors.



■ On reasons for returning to India.

Within five years, when Ispat Indo proved to be a success story, I felt it was time to get back to India. Our Indonesian experience gave us certain strategic advantages which I wanted to take advantage of.

■ On the advantages gained from the Indonesian experience.

The advantages are of an ongoing nature. Being abroad, we have exposure to latest technologies which few in India have. We have a competitive edge by way of knowledge of these technologies and access to them. Our strong in-house project team and project execution experience overseas — without overruns of any kind — are added strengths. Also, we have first-hand knowledge of the Japanese style of management, having very successfully and rewardingly introduced it in Indonesia.

■ On how these advantages are being used in India.

To start with, the intimate knowledge which we have of the international steel scenario enabled us to choose the Indian entry points carefully. It is a policy of mine to go for products either not produced at all in the country or in very short supply. Hence our choice of import substitution products like thin gauge galvanised steel sheets (Nippon Denro Ispat Ltd., Nagpur), silicon (Ispat Alloys Ltd., Balasore) and rails and H-beams (Ispat Profiles India Ltd., Pune). Each unit uses technology which is amongst the most modern available. For instance, in some aspects like robot controlled steel making and completely computerised controls, the Pune plant is unique even by world standards. Of course, we have kept our track records of punctual and cost overrun-free project implementation intact. Not surprisingly, our companies in India have paid dividends in their very first year of operation.

■ On Japanese-style management introduced in his Indian companies.

At our plants, there is no nomenclature as 'worker.' In fact, there is no unskilled or semi-skilled labour. Since everybody is skilled, the lowest rank is that of a 'technician.' There is no supervisory staff and there are no peons either. From the shopfloor to the management level, the units operate on the 'crew concept!' Jobs are handled by teams rather than individuals.

■ On expansion and diversification.

I strongly believe that to prosper one must be engaged in a continuous process of expansion, modernisation and plough-back. This is what we are doing. At Nagpur, we are trebling our galvanising line capacity and simultaneously integrating both forward (coated sheets) and backward (cold rolling mill). At Balasore, we are doubling Ispat Alloy's silicon manufacturing capacity. We have blueprints ready for a Rs. 850 crore investment in a 500,000 tpa sponge iron plant and a 600,000 tpa hot rolled strips unit, for which governmental clearance is awaited. We have the competence for all this and more. I am interested in big projects only.

■ On plans outside India.

The blueprint is ready for a steel plant in Thailand. A plant on the US west coast is also on the anvil.

exchange cost of $200 million annually. Predicts Pramod Mittal: "Over the next five years, the multiplier effect will cause our group's expansion to snowball."

He avers that the Ispat group's management team has every reason to be optimistic and confident about its ability to handle the task of minding activities on so many fronts. He points out that the group has built upon its Indonesian experience to not only launch NDIL but also to subsequently carry through several hi-tech diversification and expansion projects. Notes Mittal: "Whatever we have planned so far, we have executed successfully. Coupled with our intimate knowledge of the steel market, it gives us confidence to face the future."

Corroboration of the Mittals' capabilities on this score is provided independently from overseas by Toshio Suzuki, managing director of Osaka (Japan)-based Nippon Denro Manufacturing Co. Ltd: "The group headed by steelman M.L. Mittal takes a farsighted view of the future of steel industries not only in India but also all over the world. Once the decision, after careful consideration, is made to go ahead they have a strong vitality to bring new projects to successful production within the planned period of time. They have experienced and competent members who are insatiably keen to absorb and master new technologies. The team's competence can compare with the best talents of the world including Japan."

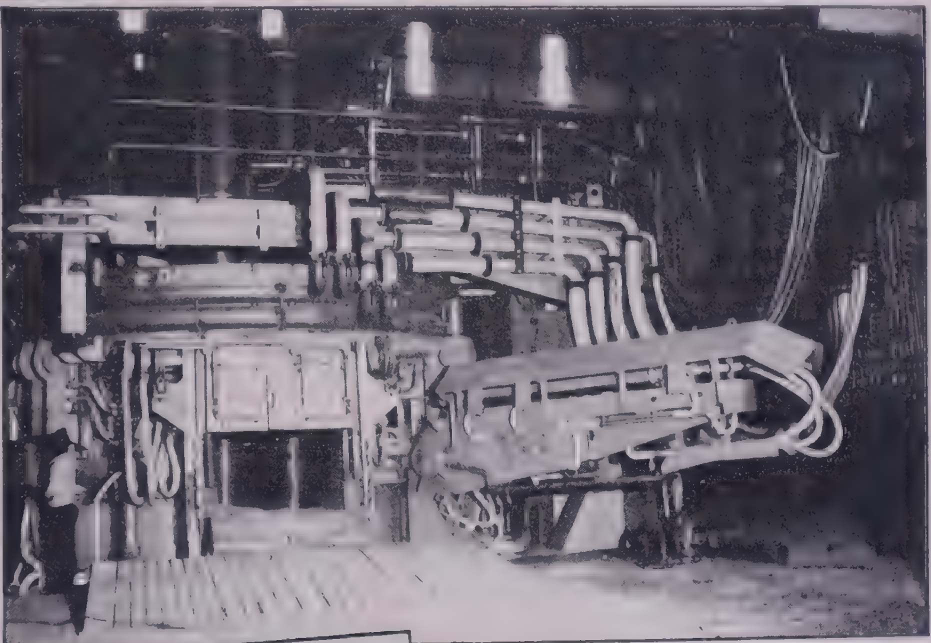
MOTIVATED PERSONNEL

And yet, it is but axiomatic that no industrial house can survive and prosper on visionary leadership, contemporary technology and punctual project implementation alone. The other vital link in the chain is that of motivated personnel. To ensure that this particular link can be made as strong as can be, last September Mittal roped in one of India's topshot human resource (HR) managers, B.R. Singh (43), as the Ispat group's vice-president (HR). A gold medallist doctorate from Benaras Hindu University with an MBA from Leeds, Singh's reputation as a personnel whizkid grew during his 14-year stint (1973-87) with Rashtriya Chemicals & Fertilisers Ltd., Bombay. Last year, he served as president of the Indian Society for Training and Development (ISTD).

According to Singh, merely having a hi-tech manufacturing base does not necessarily mean that a company will be well run. Among the high performing companies in India (e.g. Hindustan Lever, Larsen & Toubro, ITC, Voltas, MRF) and abroad (e.g. IBM, Unilever) the major strength has been the quality of manpower and the efficacy of organisational structure, he says. Success, adds Singh, has come primarily through emphasis on human resources development: "In the Ispat group too, to take advantage of modern technology, one must match it with equally modern systems of administration."

His first priority, he says, is to ensure a match between the group's internal technical, administrative and human resource sub-systems. "If the technical sub-system is very modern but the other two are not up-to-date, overall performance will not be good," points out Singh. Lately, he has been busy developing and institutionalising management systems in the group companies. The organisational structure is also being formalised at corporate and departmental levels.

One advantage is that since each of


ELECTRIC ARC FURNACE AT IPIL, PUNE

> *It is our policy to ensure both good dividends and attractive capital appreciation for our shareholders*
>
> **M.L. Mittal**

M.L. MITTAL (LEFT) AT IPIL PLANT

the group's companies are new ones, Singh has the flexibility of introducing productivity-oriented HR systems right from the beginning. For example, conventional manning levels like *mazdoor*, helper, unskilled and semi-skilled labour have been totally eliminated. The lowest rank consists of technicians qualified from one of the technical training institutes.

TOTAL FLEXIBILITY

A different work culture is being nurtured thanks to the introduction of the crew concept, Japanese style. Explains Singh: "Rather than appointing persons against positions, this involves the appointment of groups against functions. A total flexibility between jobs and operations is insisted upon. At the project stage itself, tasks are being assigned to individuals in such a way that this flexibility becomes an integral part of their functioning. Further, all new entrants are being told that our plants work on the 'no overtime' concept."

The crew concept translates on the shopfloor as follows. Each technician receives training in at least three different trades apart from his own. The idea is not to segregate jobs according to compartmentalised functions. To take a practical example, the crew concept put to practice would entail a crane driver stepping down from his cabin after, say, one hour and moving to the control room for a spell of physically less strenuous work. A colleague from the control room would typically replace him on the crane for an hour. "There is no question of a crane operator ending his day dog tired after eight hours of strain," says Singh.

A point to note is that this novel precept (in the Indian context) eliminates operational delays. Right now, in the traditional set-up, if a switch is not working, one calls for an electrician and things are stalled until the person is located and he comes around to attend to the problem. The all too familiar shopfloor situation where production is held up because the individual concerned is having a cup of tea cannot occur if the crew concept is practised.

Interestingly enough, the concept is not restricted to labour alone and extends with appropriate modifications to the managerial cadres too. A young engineer-cum-MBA says he finds the set-up very stimulating since his responsibilities are not artificially blinkered. He has other grounds for satisfaction in his two-year-old job with the Ispat group: "For one, the pay and perquisites are above industry average. Besides, two factors make the work content exciting. One is the exposure to contemporary technology and the other is the challenging industrial marketing outlook. Also, with group growth plans clearly chalked out, one has the rare opportunity here of finding an employer who encourages you to break new ground professionally."

CONSPICUOUS FRIENDLINESS

So far, the going has been remarkably smooth for Mittal. From zero, in five years his group turnover in India is slated to reach Rs. 380 crores in 1989. But with further investments of up to Rs. 1,200 crores on the cards, the shape and size of his Indian operations are likely to change complexion in the short to medium term. Mittal says he foresees "no difficulty" in financing this growth. The term-lending financial institutions ought to be satisfied, he reasons, with the group's past project execution track record. Besides, Mittal's attitude to shareholders is one of conspicuous friendliness. "It is our policy to ensure both good dividends and attractive capital appreciation for our shareholders," he declares.

Lately, several moneyed non-resident Indians have been visiting our shores to eye business prospects in this country. Some like Swraj Paul tried to be marauders but burnt their fingers. Some like Manu Chhabria have chosen to buy into going concerns and step into chairmanships. Some like the Hindujas have bought into companies but shied away from management responsibilities. There are hardly any instances like the Mittals who have gone in for capital intensive, core sector projects which fulfil national priorities such as foreign exchange conservation. (Currently, except for eldest scion L.N. Mittal, the others are all Indian residents.)

Clearly, Mittal is not here to make a fast buck. Which is perhaps why his actions are not only attracting attention but also commanding respect.

■ *Sujoy Gupta*

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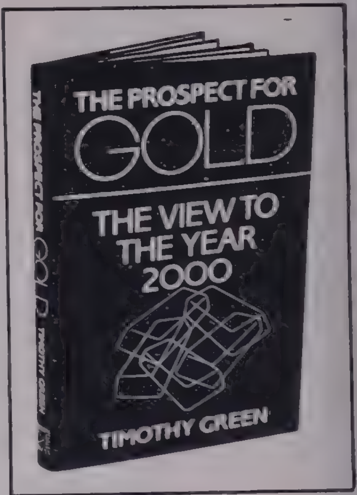

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DIVERSIFIED THEY FELL

In the sixties, some of the largest US corporations went into a spree of diversification, either by setting up new projects in the US and other countries (particularly Europe) or by acquiring existing companies. International Telephones & Telegraph (ITT), Ling Temco Vought (LTV) and Rayethon are prime examples of companies which went into an orgy of diversification.

By the mid-seventies, it was clear that each of these large diversified companies, often called conglomerates, were in big trouble. ITT, which had in maverick fashion picked up companies producing such diverse products as ladies trinket jewellery and bread, to highly sophisticated missiles and life insurance and hotels — each of which was outside its main line of telephone and electronics business — had paid dearly for its misadventures. However, Harold Geneen, the founder father of the conglomerate movement, does not even sit on the ITT board any more and runs it by proxy. Fortunately for him, he can take a dispassionate view of the crumbled ITT empire and make his pile by writing self-laudatory memoirs of how he ran the ITT empire through return on investment control and hard-nosed, budget-based performance reviews.

DIVERSIFICATION DISASTER

In our own context, we find that many of the diversified companies, such as DCM, do not seem to be faring well in the marketplace. Whenever there has been an attempt to run a highly diversified operation on a centralised strategy, policy and operational control basis, it has ended in disaster. In fact, there is good evidence to show that companies which initially attempted to do so — like ITC early on — quickly retraced their steps and set up new companies or constituted autonomous business units functioning as notional companies within their structure. ITC's success in managing a highly diversified business set-up might well be due to the fact that it has created separate notional companies for the new business units. They are almost entirely self-sufficient in terms of managerial and financial resources, and provided with near-total operating autonomy (subject to the overall corporate strategy in the long run and the mutually agreed budget outlining business performance in the short run, usually the next one year). ITC has, thus, innovated new patterns for diversified business structure in the Indian business world.

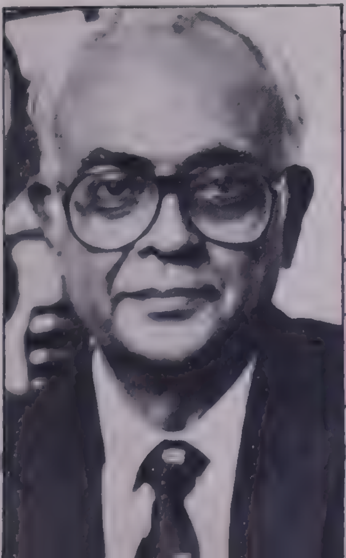
Some of the successful Indian companies, notably Larsen & Toubro, have managed expansion and diversification by limiting them to related fields. Several observers of the business scene viewed L&T's entry into cement as a related diversification on the grounds that it was already in the business of manufacturing and supplying cement manufacturing equipment. However, its entry into shipping caused considerable concern in terms of the "fit" with the existing business.

It is now contended by many management thinkers and practitioners that unless there is an adequate experience base in terms of technology, production processes, marketing, financial management and other skills, diversification in unrelated product lines is extremely risky. This is particularly so if there are strongly entrenched business units already operating in those fields with a strong market presence, as they will do everything they can to prevent entry in their fields and in any case, create impediments to the new entrants' continuing business success. The experience of new entrants (including some of the multinationals and large family-owned business houses) in the shaving blade business is a case in point.

It is invariably the experience that managing an unrelated unit in a diversified set-up is not merely a matter of recruiting new managers with the required technical and marketing background. If several managers are inducted from different units in the same industry to manage the new unit, the result is often a hotchpotch of managerial culture, and more importantly, a lack of coherence in managerial style. Also, in many cases the cultural and value "fit" of the newly inducted managers is often tenuous. This leads to considerable organisational tension and dissonance, as evidenced in the case of several companies which have attempted to manage such units manufacturing non-related products.

UNDECLARED WARFARE

This situation is further aggravated by the relationship which develops between the managers of such acquired or new units and the managers of the existing businesses. The latter often tend to see the former as outsiders or aliens, or worse still, as intruders who have no understanding of the company's cultures, values and styles. The net result is often undeclared warfare between the new or acquired units carrying on the diversified business activities and the oldtimers in the corporate office or existing business units. When the results of the diversified unit do not match up to the expectations of the corporate management — possibly due to start-up or stabilisation problems — the new unit is often accused of



> *Whenever there has been an attempt to run a highly diversified operation on a centralised strategy, it has ended in disaster*

draining the funds of the company and dubbed a non-performing business unit.

There is also good evidence to show that in their anxiety to grow, many companies have expanded into product lines which are wholly unrelated to their experience base or existing product lines. Process industries expanding into computers, or consumer goods companies getting into garments, or engineering companies entering colour TV markets are some of the more obvious examples. Also, the attempt to graft unrelated new products and technologies have usually not been successful for the simple reason that the required culture (e.g. the science and R&D-related culture of biotech operations) has not grafted well in the main business' physiological system, often conditioned by many years of low-tech operations (or trading-like connotations for business success), and the graft has been rejected!

RELATING PRODUCT LINE

Tom Peters and Bob Waterman, in their pathbreaking book *In Search of Excellence* enunciated the proposition that companies should "stick to their knitting."

Notwithstanding its homely flavour, it contains a great deal of business wisdom. This ground rule does not, however, mean that a well-established company should not consider diversification at all merely because it requires the company to get into a different field. The test, therefore, is how the new product line is related to its existing business and, therefore, its experience base in terms of marketing, technology, production processes, financial management skills, etc.

L&T CHAIRMAN N.M. DESAI: MANAGING DIVERSIFICATION WELL

It is not necessary that the new or acquired business in the diversified area should necessarily be related to the existing business in all the dimensions mentioned earlier. The important requirement is to identify the critical determinants of success in the new business — is it technology, marketing, or distribution, or financial management or some other factor? If it is established that it is driven by any of these and that the company making the diversification has the critical skills in adequate measure (and also has the required experience base in that area), it is entirely appropriate to consider diversification as a welcome and appropriate business opportunity.

To repeat, the critical dimension of business success for the diversified unit must "fit" well with the existing experience and managerial skills base of the investing (or acquiring) company in that area. For example, it is entirely appropriate that a consumer goods company distributing its products through an all-India network should consider diversification into products which are distributed through the same channel, particularly if its products have a high acceptance and positive image customers and distribution is the key skill in making the new company succeed in its business. This conclusion would be valid if only the dimensions other than distribution — such as production technology, financing, etc. — are non-critical aspects of future business success for the diversified unit.

SUBSIDIARY STATUS

In regard to diversification ventures in unrelated fields, if the prospective business is so attractive that it will lead to substantial increase in profits and return on investment, it must be physically and managerially separated by a totally distinct (and autonomous) business set-up or corporate shell for its operations. In such a situation, the new company will have the status of a subsidiary or an associate company, and the interlinkages would be by way of investment and common membership of the key strategy and policy making set-up of the new unit, rather than by common management.

In fact, if the management skills as well as marketplace and competitive context of business are distinctive and different, the management set-up should be entirely separate from the existing management groups. The authority and responsibility for operating the diversified unit must rest squarely with the identified management group. Secondment of existing managers to the new unit must be carefully made keeping in view the "fit" of their technical or professional skills. Once such secondment decisions are made, there should be no element of transience in their tenure. This is particularly true in the case of products based on newer technologies like electronics, biotechnology, highly automated chemical or process technology, etc. There is a cultural difference between such technology-driven businesses and manufacturing and trading businesses of such a magnitude that any attempt to mix the two can lead to terrible problems of operational effectiveness and cultural mismatch resulting in disastrous consequences. The entry into these new technologies, therefore, must be by way of totally distinct corporate or business entities with their own management set-ups, linking them with the existing business only by way of capital funds and policy level management.

To sum up, in the competitive context which is developing in our country — as also given the much freer access to existing units as well as other likely new entrants to the industry to external technologies, equipment and process — diversification as a managerial response for achieving growth needs to be considered with considerable caution and care. It should be related to the experience base of the company in technology, production, marketing and finance, and the wise decision might well be to diversify in related areas.

■ *S.K. Bhattacharyya*

The author is a Bombay-based management consultant.

MADRAS BECKONS MALLYA

The liquor baron enters the petrochemicals field down south.

The Bangalore-based United Breweries (UB) group's supremo, Vijay Mallya, is eyeing Madras as a possible location for expanding his business interests in the petrochemicals area. UB has already made some moves in this direction. It recently replaced Syed Yusuff as the major private sector partner in Kamar Petrochemicals & Plastics Ltd. (KPPL), a joint venture company with the Tamil Nadu Industrial Development Corporation Ltd. (Tidco). A few months earlier, it had also taken over Reichhold Chemicals Ltd., an amalgamations group company.

KPPL, originally promoted by S.H. Syed Yusuff, managing director of K.P.V. Shaik Mohd. Rowther & Co. Pvt. Ltd. (whose SCI shipping agency was cancelled a couple of months ago after a protracted tussle), is a Rs. 70 crore project to manufacture polyether polyols (8,000 tpa), propylene glycols (7,000 tpa) and propylene oxide (12,000 tpa) at Manali in north Madras. (The necessary raw material will be made available by Madras Refineries Ltd. which is just a stone's throw away.) Mallya, accepting an invitation from Tidco, subscribed to Rs. 5.83 crores of the total equity capital of Rs. 23.33 crores, making it the major private sector partner with a stake of 24.98%, leaving Yusuff with a minor holding. Yusuff continues as an associate of this joint venture company.

Overall gameplan. For Mallya, this is the first major step in UB's overall gameplan of setting up a 'systems house' for polyurethanes, a product which has extensive industrial applications, at Madras. "KPPL can provide the basic infrastructure for the systems house," opines Mallya. Further, the fact that Manali is fast becoming the 'petrochemicals city' of south India was also a major attraction. "TN offers a very good base for growth," says Mallya. "As a south-based company which has now spread all over India, we want to invest in Tamil Nadu."

Apart from the fact that KPPL will help provide the launching pad for Mallya's petro-plans, a major competitive advantage for it is the fact that both polyether polyols and propylene glycols are not being manufactured in India; the entire domestic requirement is being met through imports. And KPPL officials believe that demand for these products could even double once they are made indigenously.

MALLYA: A MAJOR STEP

A major competitor is also located in the neighbourhood: Manali Petrochemicals Ltd. (MPL) promoted by the D.C. Kothari group, and later taken over by A.C. Muthiah of the Madras-based SPIC. MPL will also be making the same products. Nonetheless, R.C.K. Gupta, chief executive of KPPL, claims that it will enjoy a 5%-10% cost advantage.

Latest technology. This cost advantage is primarily due to the fact that its Swiss collaborator for polyether polyols and propylene glycols, Pressindustria AG has offered KPPL the latest technology, says Gupta. For the third product in its range — propylene oxide — it has a collaboration with Montedipe SpA of Italy, who will also have an equity stake of 10%.

The public will have a 39% stake in the total equity of Rs. 23.33 crores while Tidco will have 26%. In addition, the project will get Rs. 40.24 crores by way of term loans, of which the foreign currency component is Rs. 6.43 crores. According to KPPL officials, civil work is expected to start soon.

The nineties will see how successful Mallya's Madras maneouvres have been.

■ *Chandu Nair*

FLIGHT OF THE FALCON

NRI Bhatia launches a new venture in India.

The pull of home is irresistible. This explains why several non-resident Indians have recently returned to the land of their birth to launch new business ventures. The latest is L.A. Bhatia, a former executive of Indian Oil Corporation who has built up a Rs. 20 crore trade in building materials in the United Arab Emirates over the past 15 years. Bhatia has just set up a 6,600 tonnes per year sanitaryware plant at Alwar, Rajasthan in technical and financial collaboration with Agrob Anlagenbau of West Germany. And, with the plant scheduled to go on stream in a few weeks, Bhatia's company, Falcon Gulf Ceramics Ltd., is planning to go public in mid-July with an issue of Rs. 1.62 crores.

Bhatia promises established manufacturers such as Hindustan Sanitaryware, Madhusudhan Ceramics, Neycer, Parry and Raasi Ceramics a run for their money. "Our plant compares well with the best in Europe and the United States. Besides, we plan to make exclusive designs in line with European designs, and our collaborator will help us make a product of

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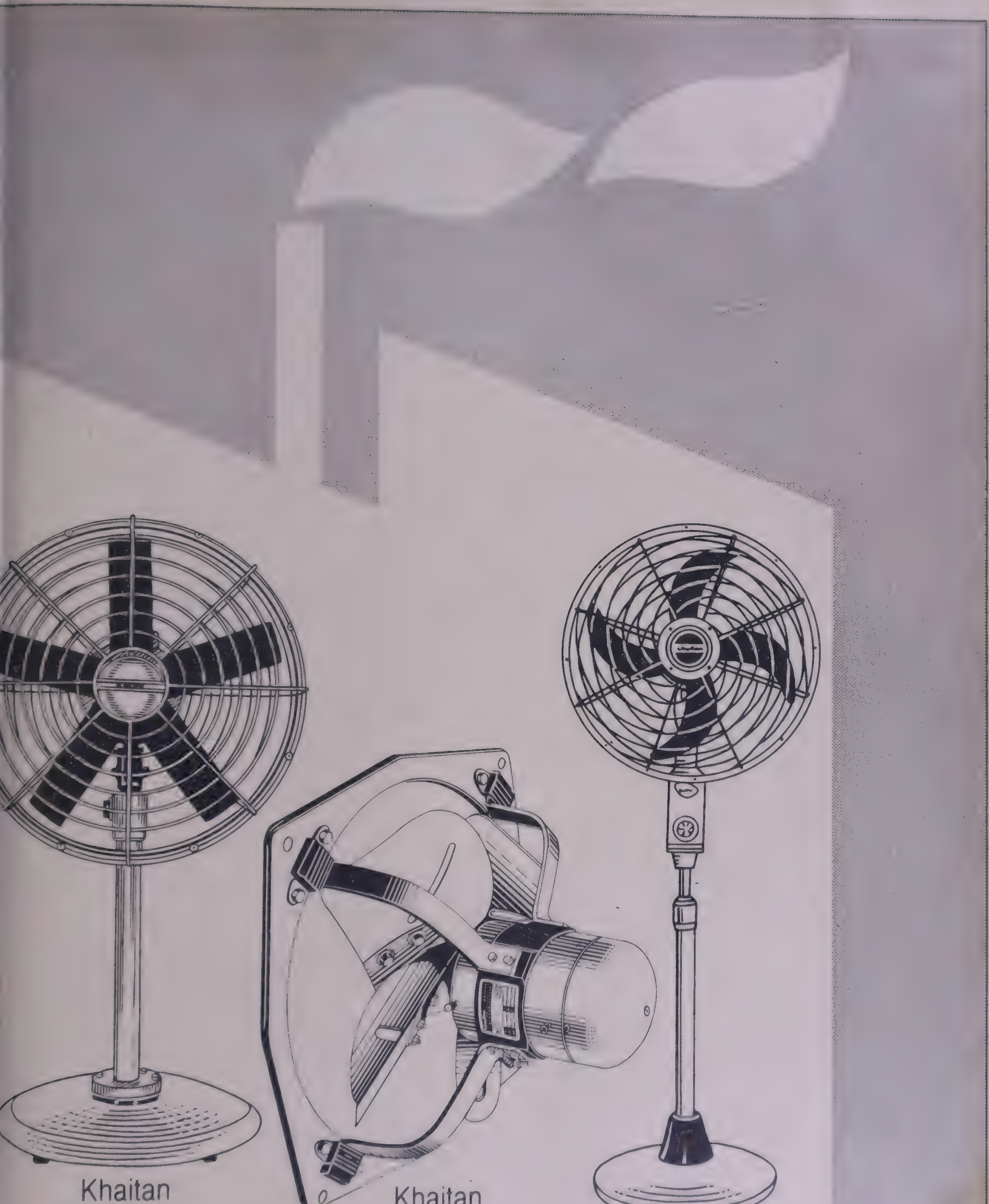
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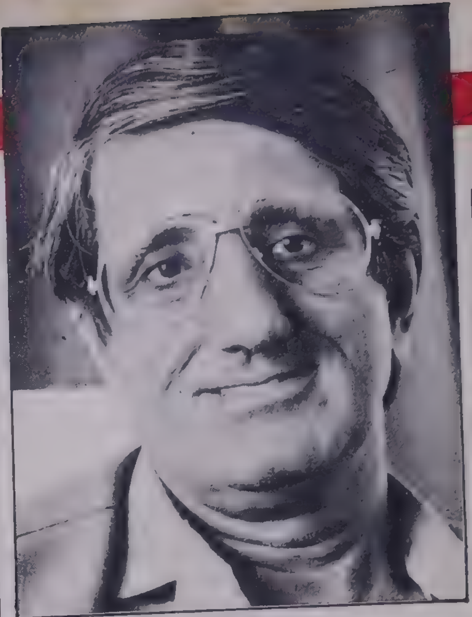
international quality," he says. Indeed, foreign collaborator Agrob (1986 sales: DM 207 million or Rs. 164 crores), which will take a 7% stake in Falcon Gulf's equity, has impressive credentials: it is one of the leading manufacturers of ceramic products in Europe and has tied-up with 45 companies all over the world.

Moreover, explains Bhatia, since the kiln is the heart of a sanitaryware plant and its efficiency largely determines the quality of the final product, Falcon has imported two microprocessor-controlled pre-fabricated kilns from Swindell Rust of the US. "Being computer-controlled, they ensure automatic, uniform temperatures, resulting in better quality. Better results are also ensured by the use of LPG which is the purest heating fuel. Finally, these kilns are nearly 50% more fuel-efficient than those currently used in India."

Growing demand. Bhatia expects that demand will be no problem as the country's housing needs are growing rapidly. The Seventh Plan's allocation for housing is more than double that of the Sixth Plan, and the new housing policy may well further boost house building activity. "According to a market survey conducted for us by Tata Economic Consultancy Services, the demand for sanitaryware is poised to grow at an annual rate of 8.8%. And total installed capacity in 1990 will be 72,750 tonnes per year compared to a projected minimum demand of 77,000 tonnes," he points out. Falcon therefore plans to hike its production capacity to 8,000 tonnes with the installation of balancing equipment. The company is expected to break even in the second year of operations and make a profit the following year, when sales are projected to touch Rs. 7.5 crores. Exports are also on the cards. With his building material business and network of contacts in West Asia, Bhatia is confident that he can cash in on the export potential.



BHATIA: EXCLUSIVE DESIGNS

Bhatia is no stranger to India. He already has a company called Falcon Fibroplast, set up in Delhi in 1980, which makes a wide range of fibreglass products —helmets, furniture, and boats for the Navy, the Border Security Force and a number of state tourism corporations. These ventures, he explains, are all a result of a meeting he had with Shiv Charan Mathur, chief minister of Rajasthan. When Mathur invited him to invest in his native Rajasthan (Bhatia is from Ajmer) and collaborate with the state's industrial development and investment corporation (RIICO), Bhatia decided on sanitaryware and hotels. Indeed, RIICO is taking a 11% equity stake in Falcon Gulf Ceramics.

Bhatia now has plans to set up five-star hotels in (apart from Rajasthan) Kovalam, Kashmir, Bombay and the Andaman Islands. Tiles, crockery and a whole range of ceramics will be added shortly, while his other company, Falcon Fibroplast, will add cooling towers to its product range.

Despite all these ambitions, Bhatia has no intention of moving permanently to India. He is quite at home in Abu Dhabi and intends to have one foot in each country (his company is even named after the UAE's national bird). "Money does not grow on trees even in the Gulf. But there is no red tape, the rules and regulations are sensible and I am quite happy there," he says.

■ *Rajiv Shirali*

RIGHT CONNECTIONS

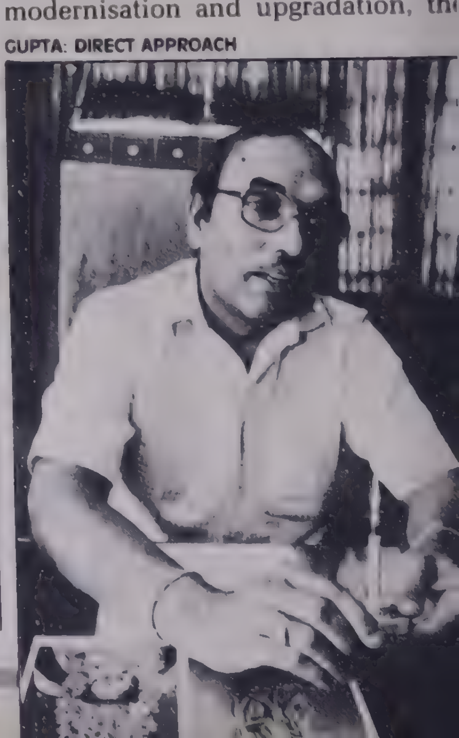
HCL is confident of retaining its leadership status.

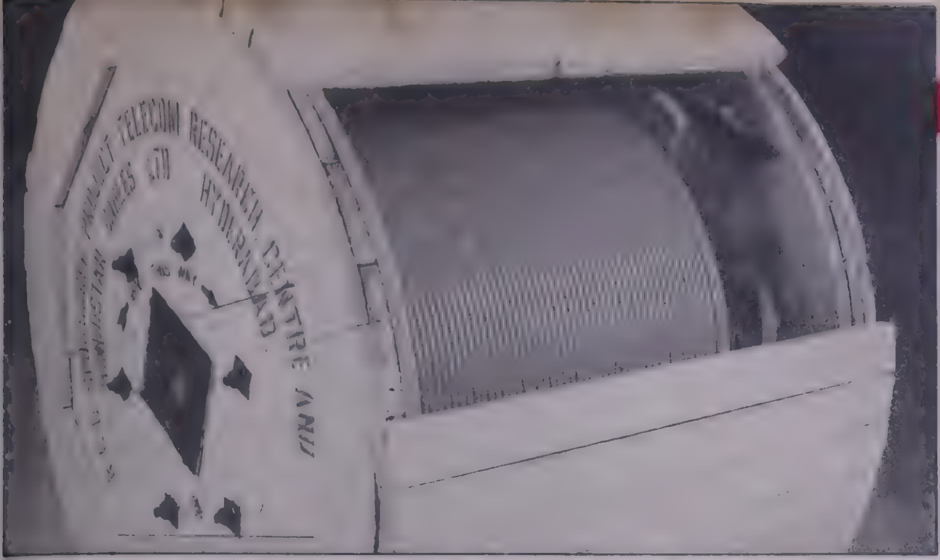
There is a lot of excitement in the air these days in the Calcutta headquarters of the low profile public sector company, Hindustan Cables Ltd. (HCL — estimated sales: Rs. 361.7 crores in the year ended 31st March 1988). A prime beneficiary of the telecommunications revolution brought about in this country by the Rajiv Gandhi administration, HCL's turnover is growing at a cracking 33% per annum. Happily, the bottomline (net profit in 1987-88: Rs. 20.6 crores) is not suspect and reflects a refreshingly healthy glow. "We shall keep pace with the growth of the telecommunications sector," promises D.K. Gupta, a mechanical engineering alumnus of Bengal Engineering College, Howrah, who is the incumbent chairman and managing director of this 6,908-strong company.

Fortunately, HCL's work culture has not got bogged down in labyrinthine bureaucratic procedures. Gupta is a technocrat with a string of professional fellowships to his credit, and is self-confessedly "a man of the field." By all accounts, his "direct approach" to managerial tasks is yielding fruit. Against the odds, HCL is quickly going hi-tech. Gupta says his top priority is to ensure that HCL wards off technological obsolescence.

Immediate impact. Till recently HCL's production lines at Rupnarainpur (West Bengal) and Hyderaba were churning out yesteryear products like coaxial cables, paper-insulated cables and copper coated stee wire. Today, thanks to continuou modernisation and upgradation, th

GUPTA: DIRECT APPROACH





THE FIRST INDIGENOUSLY MANUFACTURED OPTICAL FIBRE CABLE FOR AERIAL APPLICATION

same factories are producing increasing quantities of dry core and jelly-filled cables (6.6 million conductor kilometres (ckm) in 1988-89 *vs.* 3.1 million ckm in 1984-85). Meanwhile, a spanking new Rs. 46.9 crore unit at Naini near Allahabad (UP) is coming up for the manufacture of 40,000 fibre-km (fkm) per annum of single and multi-mode fibre optics cables in technical collaboration with NKT Electronik of Denmark. Once commercial production commences during financial year 1989-90, fibre optics will start replacing long distance coaxial routes between cities. The impact on India's creaky telecom network will be immediate: a pair of optical fibres can carry with superior fidelity up to 7,680 voice, video or data channels, against 2,780 by a pair of coaxial tubes.

These programmes apart, HCL is also going in for the manufacture of related products such as thermo-shrink jointing kits (an import substitution item), cable cords and pulse-code-modulation (pcm) cables. Further, the company has earmarked Rs. 15 crores in the remaining years of the Seventh Plan for a foray into telecom-linked industrial electronics. A five acre plot has been acquired for this purpose at Calcutta's glitzy Salt Lake Electronic Complex. Says Gupta: "The areas being looked at include application specific printed circuit boards (PCBs), high speed data modems and data concentrators. We have meanwhile already begun R&D work in electronics on a Rs. 2-crore budget allocation for this year."

Naturally, all this is not coming cheap. While the Naini unit is being largely financed by a Danish Kr. 211 million (approximately Rs. 40 crores) facility from Denmark's aid agency Danida, HCL has to fend for itself to fund modernisation at Rupnarainpur (Rs. 22.4 crores) and product line conversions from paper-insulated to jelly-filled cables (Rs. 68.4 crores) at its two factories.

Optimistic prospects. In the absence of a budgetary allocation from the Union government, HCL is planning to tap the capital market with a Rs. 40-crore bonds issue later this year. "With HCL's high credit rating in the market, it should have no difficulty whatsoever in raising the required funds," opines Gupta. He is equally optimistic about the company's future prospects: "HCL will reflect the enlargement and enrichment of India's national telecom network. We look forward to the future with great optimism, as our higher production, sales and profit projections corroborate." Indeed, industry monitors aver that HCL's vulnerability lies not so much in its own limitations as in the telling resource constraints of the department of telecommunications (DoT). This might force DoT to cut down on its orders with HCL. Emerging private sector competitors are scarcely a threat: HCL straddles the national telecom cables market with an estimated 85% share.

Predicts a confident Gupta: "We shall retain our leadership status in the domain of telecommunication cables."

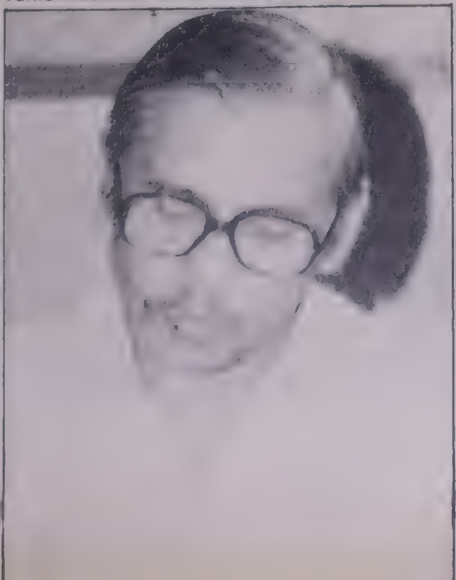
■ *Sujoy Gupta*

FLOORING THE CUSTOMER

MCL steps into the ceramic tiles arena.

Floors are undergoing a quiet revolution. True, mosaic tiles are still popular with the middle-class and only marble or granite will do for the rich. But cheap, attractive and stain-resistant ceramic tiles have started invading the living room and bedroom after being confined for long to the kitchen and bathroom. A big league player in this arena is Spartek Ceramics India Ltd, an outfit managed by a non-resident Indian whose family owns clay mines in Andhra Pradesh. Its factory at Tirupati is the country's largest with an annual capacity of 26,000 tonnes. Spartek is also the market leader.

VENKATARAMAN: GOOD MARKET RESPONSE



The other leading manufacturers — Neyveli Ceramics & Refractories Ltd. and Regency Ceramics Ltd. — have not done too well. Neyveli Ceramics' unit in Pondicherry was affected by technical and quality problems. Regency Ceramics' unit, located in Yanam near Kakinada, started out as a 100% export-oriented unit but faced rough weather in the international market. Consequently, it was forced to start vending in the domestic market (from January last year) which meant losing its status as a wholly export-oriented firm and along with it the incentives and tax concessions. However, Regency is slowly emerging

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from this financial crisis.

New entrant. Now, one more company has taken the plunge in these rather turbulent waters. The newcomer is the Hubli (Karnataka)-based Murudeshwar Ceramics Ltd. (MCL) promoted by a leading civil contractor, R.N.Shetty, and the Karnataka State Industrial Investment & Development Corporation (KSIIDC). MCL has tied-up with Klingenberg Dekoramik GmbH of West Germany, claimed to be world leaders in ceramic tiles technology, for both technical and financial support.

MCL's managing director Shetty is no stranger to tile manufacture: he operates a large Mangalore roofing tile manufacturing unit in Karnataka. Besides he is the chairman of Naveen Mechanised Construction Company Pvt. Ltd., which has executed large irrigation works and hydroelectric projects in Karnataka; and of Naveen Hotels Ltd., which owns the Taj Residency hotel in Bangalore.

MCL's plant is located in Krishnapura village in Hubli taluka (Dharwad district), a centrally notified category-B backward area. The plant, which has an annual capacity of 12,500 tonnes of ceramic floor and wall tiles, and incorporates machinery from the well-known Italian firm of Sacmi-Imola, was inaugurated on 1st May. The entire project — estimated cost Rs.13.45 crores — was completed in a record 14 months, claims MCL's general manager (marketing) P.Venkataraman who was earlier with Spartek as operations manager.

Good market response. Branded Naveen and priced marginally lower than Spartek, MCL tiles have already entered the market. "Market response so far has been good," says Venkataraman. "Sales have been particularly good in Bangalore and Bombay, and the quality and finish have been appreciated." The tiles are currently being distributed through 52 dealers spread over the country and the company plans to increase it to 120.

MCL would like to concentrate on markets in west and south India and the plant's location near Hubli gives MCL an advantage over competitors in servicing the Bombay market, perceived to have the maximum potential.

Venkataraman claims that the plant is already working in excess of its installed capacity and so there should be no problem in achieving full production in the year ending 31st March 1989. The books are expected to show a sales turnover of Rs.9 crores and a pre-tax profit of Rs.45 lakhs MCL has already been given the go-ahead for expanding capacity.

Meanwhile, the ceramic tiles market is beginning to hot up. Firms which are expected to enter the fray within the next six months include Bell Ceramics, Kajaria Ceramics and Meltex Ceramics Ltd. Watch out for the floorshows soon.

■ *N. Raghavan*

SHARPENING THE LEAD

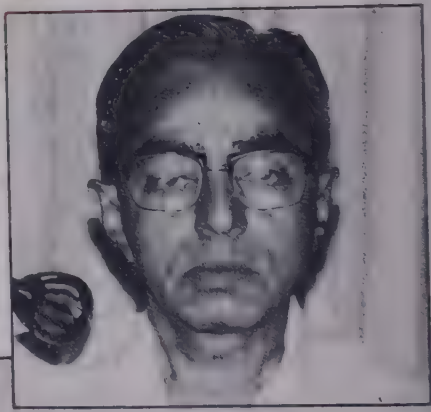
Camlin is wooing the public and a new market.

From fountain pens to ibuprofen looks like a jump from the commonplace to the exotic. But Camlin Ltd., the manufacturer of art material and stationery (including, incidentally, all sorts of adhesives), does not believe in sticking to the knitting.

And, despite the dictum of diversification pundits, the company has made a successful job of its foray into the pharmaceutical arena. In four years, the division is chalking up a turnover of Rs. 3.50 crores — a substantial 12% of Camlin's total 1987 turnover of Rs. 28 crores.

In its latest venture, however, Camlin is returning to tried and tested territory. It is setting up a high polymer leads project which will go on stream by end-1989. The company has roped in Pilot Pen Co. of Japan for knowhow. This project, when it fructifies, could well spur Camlin to recapture its market leader position in pencils. Although pencils contributed Rs. 6.50 crores to Camlin's kitty last year, in terms of market share it had only 22%, considerably behind Hindustan Pencils.

Cannibal product. The plant, to be set up adjacent to the company's existing factory in Tarapur, will produce lead for push-button mechanical pencils, the market for which is uncertain. The management is, however, satisfied that the product will click. "Our target audience is secondary school and college students," says joint managing director Subash Dandekar. "We plan on wooing them away from the



camel
camel
FLORA
FANTASY

CAMLIN'S PRODUCT RANGE. INSET: SHARAD DANDEKAR pens which they currently use. And with our marketing and dealership network spread over the country, I believe we will succeed." There are doubts, however, that Camlin is producing a cannibal product which could nibble into the company's existing lines.

This apart, Camlin is planning to expand its range of pharmaceutical products. A sum of Rs. 50 lakhs per annum has been earmarked for investment in this division. On the anvil currently is a range of anti-hypertension drugs. Also coming up are slow-release capsules and tablets.

To fund all these plans as also for working capital requirements, Camlin, which has spent 57 years as a family-controlled company, has come out with a public issue of 3 lakh equity shares of Rs. 10 each at a premium of Rs. 20 per share and 1 lakh convertible debentures of Rs. 240 each. "We had to go public because the banks had been urging us to do so for quite some time as they couldn't give us any more money," says chairman Sharad Dandekar. Despite its strengths in writing instruments it has evidently taken Camlin a long time to read the writing on the wall.

SUBASH DANDEKAR: STUDENT AUDIENCE

■ *Anil Wanvari*

THINKING ORIGINAL

Prentice-Hall of India is reducing its dependence on reprinting business.

When employees of Prentice-Hall of India (PHI) met for their annual dinner at New Delhi's Hyatt Regency Hotel on 6th June this year, it was a moment of special satisfaction for them. The first Indo-American textbook publishing house had just completed 25 years. Said PHI's chairman and managing director Ashoke Ghosh somewhat dramatically: "I built up this company with blood, sweat, toil and tears. It's a great achievement to have completed 25 years."

Started in 1963 with the primary aim of providing quality text and reference books to Indian university students at affordable prices, PHI has so far published about 500 such titles in disciplines as diverse as the physical sciences, engineering and technology, management, humanities and social sciences. Of these, the majority are reprints of standard textbooks published abroad, since the high-priced original American and British editions are beyond the reach of Indian students.

"Our books are meant for the more serious students going in for higher studies, and our prices are one-fifth to one-eighth of the original US prices. No student in India today can pass out of universities and institutes of technology and management without reading our textbooks," claims Ghosh with a touch of pride.

Changed character. PHI's character has changed somewhat since it first appeared on the scene. Under the Indo-US textbook programme, the publication of reprints of US textbooks was originally financed through PL-480 funds retained in India. When PL-480 aid was discontinued, Prentice-Hall Inc., the largest publisher of college textbooks in the US and 51% owner of the Indian company, wanted to pull out of the programme. Though the foreign principal has over the years diluted its holding to 32%, the company itself changed hands and the move to pull out has become stronger. (Prentice-Hall Inc. was bought by Simon & Schuster, which itself was later taken over by Gulf & Western, the conglomerate which owns Paramount Pictures.)

But Ghosh and his team pressed on regardless. "We prevailed upon the Americans to continue their involvement. Through them, we can keep in touch with the latest developments in the world. Moreover, we should think globally — any foreign textbook should be available in India and we should not put up barriers to the exchange of knowledge," observes Ghosh.

> *"Our books are priced one-fifth to one-eighth of the original US prices"*
>
> **Ashoke Ghosh**
> *chairman, Prentice-Hall of India*

But the company has not been content with merely publishing reprints of foreign books. It has also brought out a number of original titles authored by eminent academics from some of the better Indian universities and institutes. Some of these reprints and original titles, under the imprint of "Eastern Economy Editions," have, according to Ghosh, resulted in universities and institutes designing courses based on them.

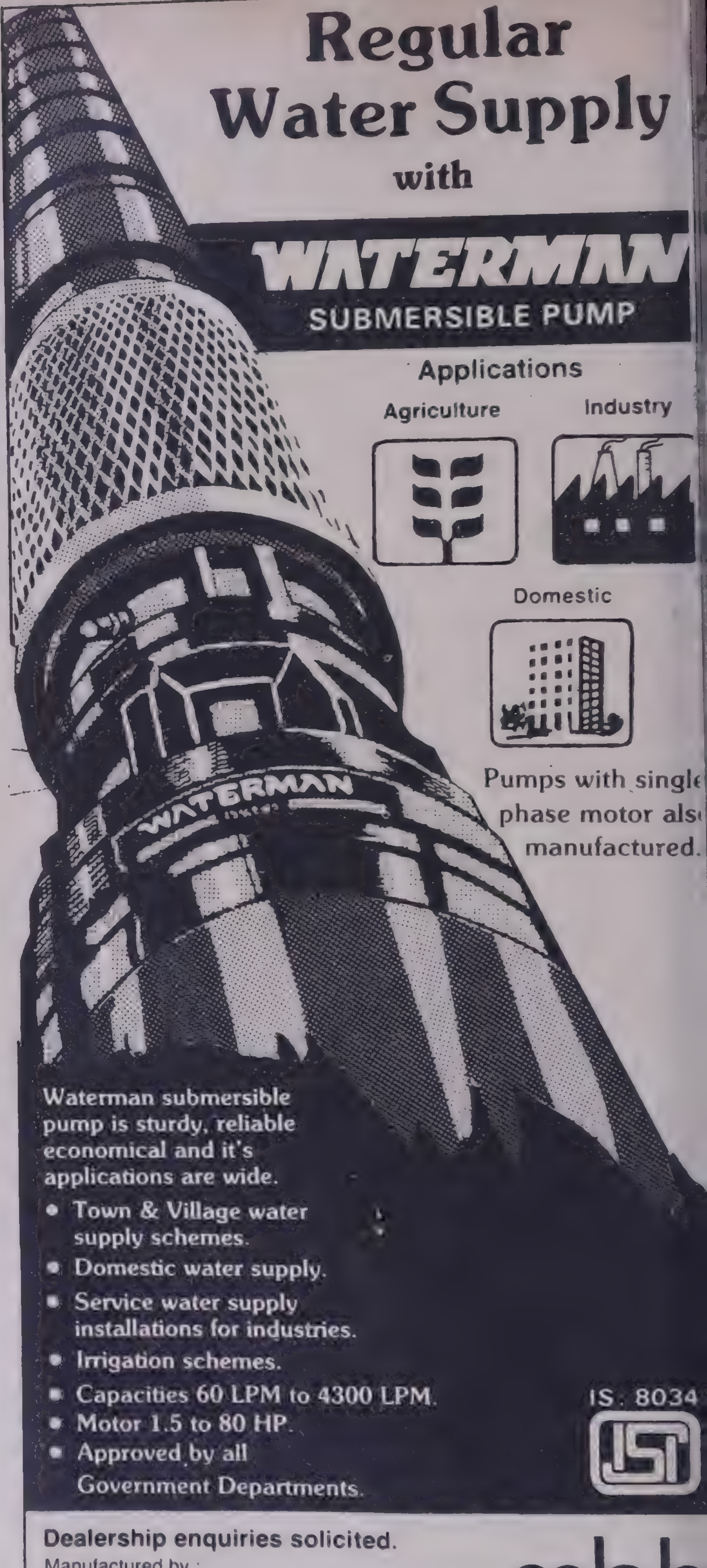
A few of these titles, such as Durga Das Basu's *Introduction to the Constitution of India*, V. Rajaraman's *Computer Programming in Fortran IV*, Philip Kotler's *Marketing Management* and Hunt and Shelley's *Computers and Commonsense* have sold well over one lakh copies each — which is good going. Another measure of PHI's success is that there is now a reverse flow of titles from India.

Financial bind. Ghosh, who has twice been president of the Federation of Indian Publishers, is acutely aware of the financial bind that the country's book publishing industry finds itself in due to the mounting costs of paper, printing and binding, and the credit that publishers have to advance to the trade. "Books are luxury items and do not sell very well, and so publishing is not a very lucrative business," he points out. PHI, for instance, notched up sales of only Rs. 1.42 crores (net profit before tax: Rs. 13 lakhs) in 1987, after nearly 25 years of operation.

Being a member of the executive committee of the International Publishers Association with its headquarters in Geneva, Ghosh is conversant with developments abroad. And this permits him to retain a degree of optimism. "In the United States," he says, "a saturation point has been reached. Unit sales of books are stagnant because the college-going population is not increasing. But in India the future is bright." PHI in fact has plans to step up publication of Eastern Economy Editions (both reprints and original titles).

And in keeping with its enhanced status today, the accent henceforth is to be more on original publishing in order to tap the talent available amongst Indian academics. "Indian writers are becoming increasingly acceptable both within India and abroad. Moreover, they know the psyche of Indian students." With this stepped-up activity, Ghosh expects a good sales potential in the years ahead. "We doubled our turnover in the past three years, and we will double it again in the next three," he says.

■ *A special correspondent*



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Motivatio

ACCOUNTANCY

THE GREAT DIVIDE

A quiet meeting of international accounting experts held at Montreal (Canada) on 20th June is likely to catalyse major global changes in accountancy practices and procedures, including those in India. "The fixing of accounting standards has emerged as a very important issue of the day," avers S.K. Dasgupta, president of the 46,000-member Institute of Chartered Accountants of India (ICAI) who is a member of the working group which met at Montreal last fortnight.

Worldwide, the emergent trend in the somewhat esoteric accountancy profession is to erase contradictory practices and to strive towards a mutually agreed uniformity. To a certain extent, the movement has been nudged by the World Bank, which insists that it must receive financial statements prepared as per its specified standards. At the global level, the cause of standardisation is being promoted jointly by the Geneva-based International Federation of Accountants (IFAC) and the London-headquartered International Accounting Standards Committee (IASC). India is represented on both; in fact, last fortnight's meeting attended by Dasgupta was a joint IFAC-IASC affair.

The respective charters of these two bodies are self-explanatory. Thus IFAC is mandated to promote the "development and enhancement of a coordinated worldwide accountancy profession with harmonised standards." The IASC's objectives are more specific — "to formulate and publish in the public interest accounting standards to be observed in the presentation of financial statements and to promote their worldwide acceptance and observance." At the local level, the ICAI is enjoined to set and implement these standards in India, with the proviso that the institute is allowed to adapt international standards to suit national laws, conventions and practices, keeping the underlying principles intact.

National standards. So far, the IASC has finalised 26 international accounting standards. Some of these are not relevant in the Indian context, not being covered by local laws. However, 10 national standards have been drawn up by the New Delhi-headquartered Accounting Standards Board (ASB) promoted by the ICAI but on which representatives from industry and government also sit. Dasgupta explains that the ASB is responsible both for modifying and/or adapting the international standards to bring them in line with Indian requirements, as well as for propagating and implementing these standards.

> *Worldwide, the emergent trend is to erase contradictory practices and to strive towards a mutually agreed uniformity*

And here lies the rub. Neither ICAI nor ASB are armed with the kind of teeth which can give some bite to their writs. In case a party being audited declines to adhere to standards, the worst an auditor can do is note an innocuous qualifying remark — which is anyway likely to get buried in the small print appended to the balance sheet. The public sector has set the lead in compliance: both the Comptroller & Auditor General (CAG) and the Bureau of Public Enterprises (BPE) have agreed to abide by all national standards laid down by the ASB.

DASGUPTA: STICK TO ACCEPTED PRACTICES

On the other hand, the private sector is not particularly pleased at the prospect of losing "flexibility" in drawing up balance sheets and profit and loss accounts. Chambers of commerce have protested to the ASB that schedule VI of the Companies' Act already specifies disclosure requirements as well as the manner of presentation of accounts. This is the law of the land. Imposing extraneous standards over and above whatever requirements are stipulated by law is in principle unacceptable to the corporate sector, runs the chambers' argument.

Not that this sector is unanimous in its opposition. Dasgupta maintains that "an enlightened section" from industry does indeed favour the idea that these standards ought to be implemented. He recalls that he was present at a seminar held in Pune in April, attended amongst others by A.S. Ganguly, chairman of Hindustan Lever, where this was exactly the consensus that emerged.

Sanitised accounts. Practising senior chartered accountants say that the absence of standards enables companies to "sanitise" their accounts in several ways. For one, companies are under no obligation to be consistent in their accounting practices and procedures from year to year. Rather, the key word is convenience. Valuation of stock is one area prone to subjectivity. While the law says stocks must be valued at cost or market value, whichever is less, it is silent about the definition of cost. There is nothing to prevent a company's management from altering its chosen definition of cost each year, depending on whether it wants to inflate stock valuation (to increase profits) or otherwise. Rues Dasgupta: "Present practices regrettably require auditors to apply different yardsticks with different clients, even for similar accounting situa tions. Our institute would not like its members to be vulnerable to unprofessionalism."

Adds Bhaskar Banerjee, articulate chairman of the ASB who is a vice-president at the Duncan group headquarters in Calcutta: "Because multiple practices are being rampantly followed, today's balance sheets cannot be compared, read or judged properly on a uniform yardstick." It is an open secret that, at present, company results tend to be distorted — wholly legally, one might add — to meet the managements' needs. "Once standards become mandatory, distortions will automatically disappear. This is essential for protecting the interests of shareholders, creditors, bankers and institutional lenders," says Banerjee.

In fact, Banerjee is a votary of introducing radical changes to the current accounting practices "in the interests of better disclosure." He advocates the need for making it compulsory for companies to report their profits and losses separately for each division or business segment. Also, he urges that companies must make adequate provisions in their books for deferred taxation, i.e. the difference between taxes on accounting profits and tax-purpose profits, which is not happening now. (The two are different, because the rules currently allow companies to apply separate depreciation norms for accounting and for tax purposes.)

So far, Indian industry has successfully put up strong resistance to the introduction of progressive measures like having standardised practices. For the ICAI, the strategy of "persuading" industry to voluntarily comply with revised norms has failed quite dismally; the battle for standards has been a lonely one. There is a move now to press for further amendments to the Companies Act and incorporate the changes in the law itself. Notes Banerjee bitterly: "In India, voluntary compliance is an unrealistic expectation. Whatever has to be enforced must first be legally ordained."

The clinching argument comes from ICAI chief Dasgupta: "Accounting standards do not mean accountants' standards. Surely, it is in the best interests of the users (i.e. the business sector) to stick to defined and universally accepted policies and practices." But as matters stand, Dasgupta's Canada trip might well have been a futile one: decisions taken there could prove unenforceable in India.

■ *Sujoy Gupta*

SPARK PLUGS

SPARKING COMPETITION

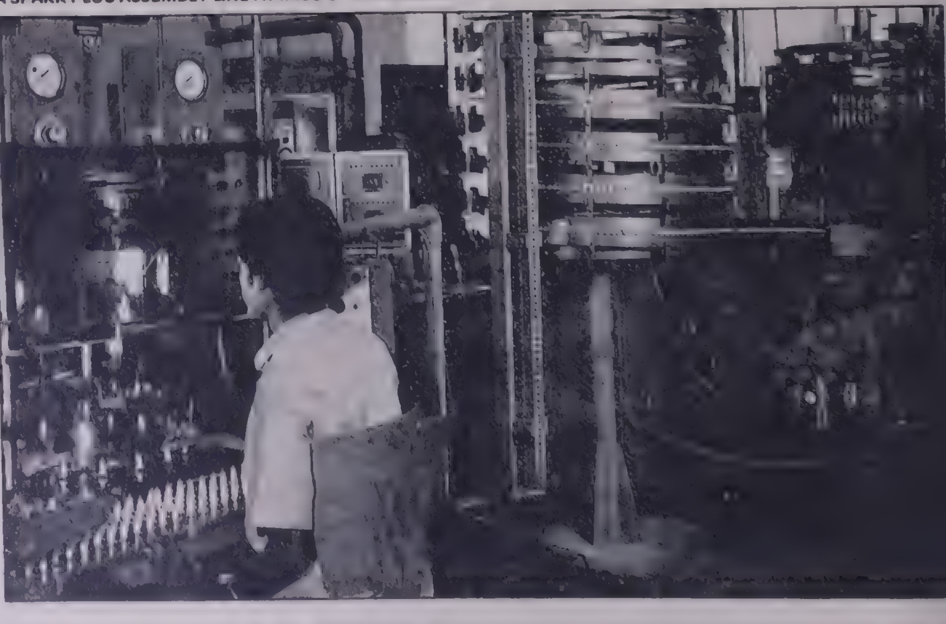
The spark plug market in India has long lacked any spark of competition. It has been dominated by the Bangalore-based Motor Industries Co. Ltd. (Mico) with over 90% share of domestic production. The other manufacturer, IVP Ltd. (formerly Indian Vegetable Products), has been vegetating along with a 5% share and the demand-supply gap of nearly 4 million units is being met by imports (both authorised and unauthorised) and spurious spark plugs (mainly reconditioned plugs of reputed make).

So the entry of Modi Champion (see *BW* May 23-June 5, p.23) has not really sent the established units hunting for storm shelters. Even Modi Champion agrees that Mico will remain topdog. Says chairman M.K. Modi: "We will not have to fight for market share as demand is far in excess of supply. We will pick up all the incremental growth in demand." True. The current demand is estimated at 16 million units against a production of 12.28 million units. Modi Champion is adding 10 million units by the third year (1990-91) of its launch, but demand is also going to mount commensurately.

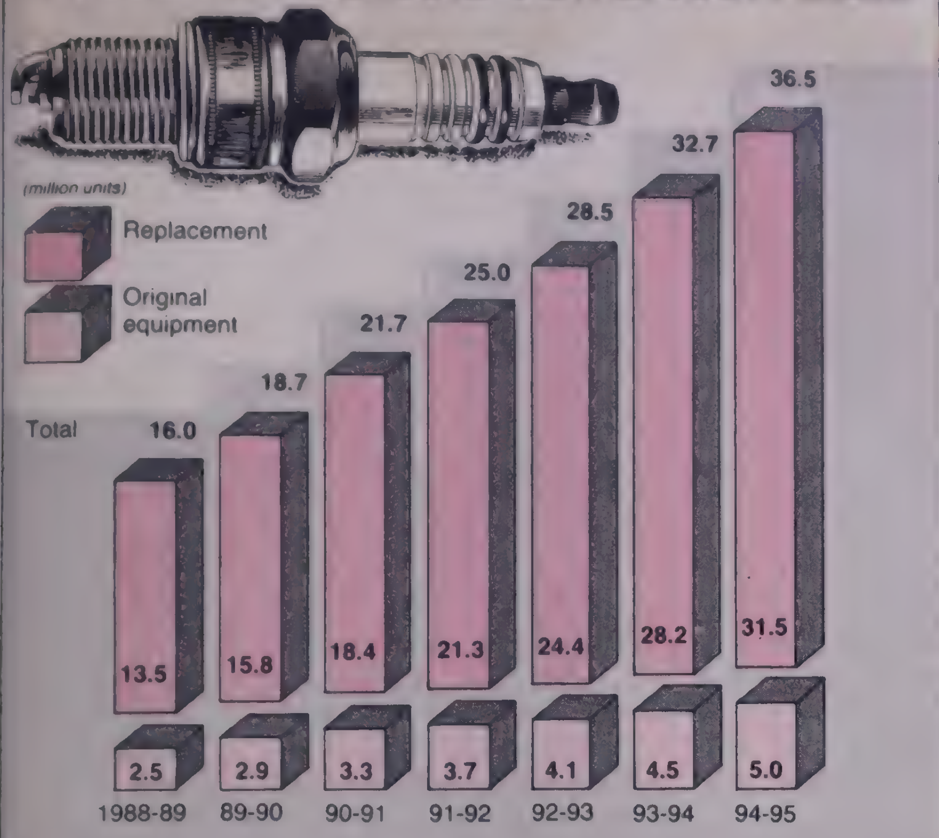
Catering to demand. Mico, in which Robert Bosch GmbH of West Germany has a 51% equity stake, started turning out spark plugs from its Bangalore factory way back in 1953. But even today, spark plug sales account for less than 10% of its turnover. In 1986, Mico introduced bimetal electrode spark plugs (branded 'Super') to cater to the demand created by a new generation of petrol vehicles. The Super range has since been widened to give the customer a choice between the normal plug and the bimetal electrode one. Both are available for all Indian-made petrol vehicles and Mico's range encompasses 40 types of plugs. Each is application-specific.

Modi Champion, on the other hand, has started off with copper cored electrode spark plugs. The first phase of the Rs. 18.03 crore project, located in Alwar, Rajasthan, is com-

A SPARK PLUG ASSEMBLY LINE AT MICO'S BANGALORE WORKS



PROJECTED DEMAND FOR SPARK PLUGS



Note: The present demand is met by Mico with 11.58 million units (in 1987), IVP with 0.70 million units and the balance by imports.

plete and commercial production started in April. Modi Champion has tied up with Champion Spark Plug Co. of the US, which will have a 40% equity stake.

Modi Champion will be producing 6 million spark plugs in the first year, 9 million in the second, and 10 million in the third. In the first phase, the company will use ceramic insulators imported from Champion. In the second phase, these will be made locally. The company sees no reason to fail.

Mico, on the other hand, is wary. "We are looking at the situation, but not apprehensively," says a senior sales executive of Mico, who would not like to be identified. According to market sources, however, Mico's bimetal plugs have fared none too well.

But the success or failure of any product depends not only on how well it is made but also on how well it is reached to the consumer. In this, Mico is in a strong position. In fact, Mico's major strengths are: image, ready access to Bosch technology; inhouse capability to adapt this technology to local conditions; a wide and exclusive distribution network supported by oil companies and petrol stations which serve as additional sales outlets; and a number of service points spread across the country. Mico is able to support such a wide sales network because its fuel injection equipment (its bread and butter) and accessories are also routed through it. But whether Mico's technology, as far as bimetal spark plugs are concerned, is the latest, is open to debate.

> *The entry of Modi Champion has not sent established units hunting for storm shelters*

Strong point. The Modis feel it is not. On the other hand, the Mico executive quoted earlier says Mico's strong point is the in-house capability to adapt foreign technology to suit local conditions. "The technology is from Bosch, yes. But in Mico we have the R&D base to suitably adapt it. So we don't just offer a general-purpose plug but have a wide range for various applications suited to local conditions."

But if anything sets Mico and Modi Champion apart, it is this: Mico is not wholly dependent on spark plugs; Modi Champion is. This fact is bound to influence the sales strategy adopted by the two manufacturers in the coming months. As far as the domestic customer is concerned, he certainly has more choice now when it comes to picking up a spark plug. Surely, he is plugging for competition.

■ *N. Raghavan*

LICENSING

CUTTING APRON STRINGS

The headlines hinted at the dawn of a new era. With the proverbial stroke of a bureaucratic pen, industrial liberalisation was being made a reality. The phrases rolled off eager tongues: "Rs. 3,000 crores investment in 100 growth centres," "compulsory licensing for 29 industries off," "delicensing limit up for non-MRTP non-FERA companies..." Clearly, the Union government had taken its first major step towards *laissez faire*; never mind that the ideal remained a virtual impossibility.

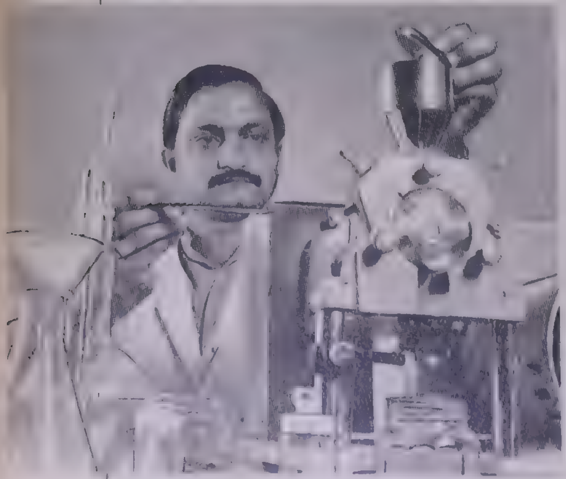
Not surprisingly, everybody worth his salt in the corporate sector hailed the announcement. Yet, as the din and applause died out, the fine print revealed the truth: this was a tentative, nervous and perhaps overcautious effort at liberalisation. With characteristic verve, Brij Mohan Lall, president of the Confederation of Engineering Industry and scion of the Munjal group, said: "There are still miles to go." And this is no time for the government to sleep.

On 3rd June it did wake up for a while from its slumbers. The new

Hundreds and thousands of sunflowers stretch out into the horizon in Kurnool, near Hyderabad. Standing amidst a crop as high as himself, Raghuram Reddy is inspecting the plants. The sunflower heads are nearly filled with seeds and soon it will be time for the harvest. This has been a truly wonderful season: Raghuram has discovered that growing sunflowers is easy and profitable. The crop does not depend on the monsoon. Nor does it require large quantities of expensive fertilisers and pesticides. Reassured by the promise of a rich harvest, Raghuram has made up his mind to plant sunflowers on most of his 18-acre land. The hopes of a brighter future for his wife and their two-year old son now soar high. And his thoughts go back to that day, almost a year ago, when ITC came to his help...

Raghuram Reddy of Kurnool. Every time the rains failed, the sight of his barren fields brought tears to his eyes.

Until ITC's Seeds Unit helped him reap a golden harvest.



Research : transferring technology from tobacco to oilseeds

For close to eight decades, ITC has provided the tobacco farmer with improved varieties of seeds, better fertilisers and effective pesticides. As part of a national programme to bridge the gap between supply and demand of oilseeds, ITC's Seeds Unit is transferring technology to this sector.

ITC's research centres are conducting field trials in Andhra Pradesh and Gujarat. Hybrid and high-yielding varieties of sunflower, safflower, cotton and castor are being successfully developed. These plants are rich in oilseeds and will increase farmers' yields several-fold; their produce will also be bought by ITC. This latest diversification is expected to benefit over 10,000 farmers.

ITC's marketing experience and extensive distribution network will help bring edible oils to consumers across the country. The Company will also support the establishment of oil-processing complexes in backward areas, thereby creating substantial employment opportunities.

Vhere else is ITC working for India and its people?

ndian Classical Music: At the Sangeet Research Academy in Calcutta, radition married to technology keeps alive the *guru-sishya parampara.* hrough Sangeet Sammelans around the country, ITC is rekindling interest n classical music.

Cottage-sector Craftsmanship: ITC set up Triveni Handlooms to preserve e traditional craft of Shahjahanpur's weavers. Looms, raw materials, chnical knowhow are provided; today 2500 weavers are gainfully nployed, their carpets exported by ITC.

amily Health and Welfare: With the distribution of millions of Nirodh ontraceptives through a far-flung marketing network, ITC helps educate ıral folk about the advantages of a small, well-spaced family.

I.T.C. Limited

crop of incentives add up to a formidable array: just 27 industries require compulsory licensing, down from 56; delicensing limits in non-backward areas have been raised from Rs. 5 crores to Rs. 15 crores; in backward areas, the limit now stands at a massive Rs. 50 crores. Of course, the doors are still barred for MRTP and Fera companies, for long the whipping boys of Indian industry. But for those not in this unenviable grouping, the policy is clearly a green signal for investment and growth. As Gopi Arora, the official spokesman said: "The incentives are expected to provide a significant fillip to industrialisation and growth."

> *It all hinges on how these proposed measures are implemented*
>
> **B M Lall**, *president, CEI*

Tremendous improvement. An *Economic Times* editorial on 6th June spelt out the possibilities lucidly: "If the company does not need to borrow from financial institutions, it can just go ahead, provided of course, it can get land, power and other services which the state governments provide. It does not have to knock at the door of Udyog Bhavan for an industrial licence nor even an import licence if its material inputs are on OGL and it relies on local equipment." This is, no doubt, a tremendous improvement over times when an entrepreneur had to bang his head against Udyog Bhavan's walls for years — very often to no avail.

Still it is a moot point if the package will amount to much. The lack of infrastructural requirements might just scuttle all ambitious investment programmes. Says a New Delhi mandarin who prefers anonymity: "State governments are notoriously inefficient in providing infrastructure. The state of affairs is even worse in backward areas. Without power, water and other vital inputs, it all amounts to nothing." True.

But this time, the government has made an attempt to tackle this problem — on paper at least. The thrust of the new package is on developing backward areas in totality. And, the blueprint dished out is quite ambitious. Each and every one of the 430-odd backward districts in India will have a growth centre. And Rs. 3,000 crores has been earmarked for the first stage of developing infrastructural facilities in these areas.

LALL: MILES TO GO

To begin with, 100 districts will be identified and adopted as growth centres. No less than Rs. 25-30 crores will be spent on each centre over the next five years. By then, the government hopes that the industrialisation drive, unfettered by regulations, will gather significant momentum and run on its own steam. That sounds impressive, but many think it may be a pipedream. Says Lall: "It all hinges on how these proposed measures are implemented." And, the track record on this front is dismal.

Common complaint. Cynicism apart, there are other reasons for observers not feeling overly enthusiastic. One common complaint is that MRTP and FERA companies are still pariahs. Says the *Economic Times* editorial (quoted earlier): "There is no reason why MRTP companies have been altogether excluded from the delicensing decision ... who else will have the capacity, say, of investing up to Rs. 50 crores in a project in a backward area, except such companies? And it is not clear why they should be still be subject to the requirements of a licence unless it is to influence the choice of location on a personal political basis."

And therein lies the catch. Politicians and bureaucrats have long been used to dictating terms when it comes to large industrial projects. All along, almost every minister has garnered big projects for his constituency in complete disregard of economic parameters. "Nobody wants to lose the perks which this power gives," muses a New Delhi liaison man for a big company based in Bombay.

Nevertheless, it stands to the government's credit that it is doing its best to boost industrial growth. The past few months have witnessed a whole range of incentives. As a *Financial Express* editorial puts it "We have got our compass properly aligned, we now need to step on the accelerator." The tempo is clearly *allegro*.

■ *Sutanu Guru*

SYNTHETIC EXPORTS

WILL THE SURGE LAST?

"We want a good bite, too," says Harshad Shah, director, Garden Silk Mills, referring to the synthetic textiles export market. But currently neither Shah nor India's other exporters are getting more than crumbs. At Rs. 150 crores, which is the level synthetic exports are slated to touch in fiscal 1987-88, India's share would work out to less than 1% of the world market.

But that's the bad news. Viewed another way, the same projected export figure is cause for celebration. The reason? It marks a spectacular leap in exports from the actual performance in 1986-87, when Indian industry could hawk barely Rs. 65.37 crores worth of synthetics abroad. That achievement was surpassed twice over in the first 11 months of 1986-87 (Rs. 139.58 crores), leading to confident predictions that the overall figure for the year could top Rs. 150 crores. The bulk of the increase came from a doubling of fabric exports, which have risen from Rs. 35.90 crores in 1986-87 to Rs. 76.75 crores in the following year.

Promotional schemes. "The scenario is changing," says textiles commissioner Arun Kumar. "To boost exports, the government has introduced various promotional schemes to help exporters," he says. Among the measures taken so far to give exports a lift are the budgetary concessions for polyester staple fibre (PSF) and polyester filament yarn (PFY) as well as cash compensatory support (CCS) of 5% on PSF and 8% on PFY.

Despite such helpful measures, the synthetics industry — which comprises everything from fabrics to fibre, yarn and made-ups — is not shouting for joy. Says Anil Ambani, executive director of Reliance Industries: "The export subsidy (i.e. CCS) for polyester fibre is just not enough. Fibre manufacturers had asked for a subsidy of 18% but the government has offered us much less."

Fabric manufacturers, too, are asking for more. Ajay Piramal, chairman and managing director of Morarjee Goculdas, is dissatisfied with the quantum of CCS fabric exporters are entitled too. "The present CCS rate of 10% should be increased to 15%," he says, and adds that exporters would have an added incentive to export if their import entitlements for raw materials were raised. At present, manufacturers are entitled to import 1.211 kg of PSF for every kg of cloth exported. Piramal feels that this miserly entitlement is attractive "only for mills with high-tech plant and machinery that produce flawless cloth in long lengths to the extent of 95% of production." He, therefore, recommends a more favourable entitlement ratio of 1:1.35. "A revised ratio will help mills that do not yet have fully modernised machinery," he adds.

A deterrent to exports is the high cost of imported machinery, primarily caused by high duty structures

Leading importers of Indian synthetic & rayon textiles in 1986-87

Country	Import Value in $ million
United Kingdom	9.72
Saudi Arabia	9.07
UAE	8.43
Italy	3.39
West Germany	2.88
Switzerland	2.23
Bangladesh	1.54
Singapore	1.52
Oman	1.33
Kuwait	1.29
USA	1.24
France	1.14
Netherlands	1.09

Exports deterrent. Another deterrent to synthetics exports is the high cost of imported machinery, primarily caused by high duty structures. "There's a strong case for allowing duty-free imports of textiles machinery as well as making domestically-made machinery excise-free," says Piramal. He points out that countries which have achieved great success in synthetic exports, such as Taiwan and Hong Kong, allow machinery in duty-free.

Arun Kumar, however, maintains that "duties have been considerably reduced." Further concessions can thus be ruled out in the near future.

Even without governmental props, synthetic exports are making steady headway even in the hitherto untapped markets of Eastern Europe, the Soviet Union and South-east Asia (Singapore and Malaysia). The EEC, and the UK, in particular, have also become major markets for Indian synthetics.

The United Kingdom has regained its position as the leading importer of synthetic and rayon textiles from India (see table). It buys large quantities of blended fabrics in grey form and yarn, apart from made-ups. Saudi Arabia is the second largest market for Indian synthetics.

Despite all the successes achieved in the export market, the fact remains that the lure of the domestic market is stronger. If 1987-88 witnessed a big jump in synthetic exports, the reason for it could be the weakening of domestic demand due to the drought and other factors. Come fair weather, Indian industry may settle for a bite of the home market.

■ *Maya Rai Choudhuri*

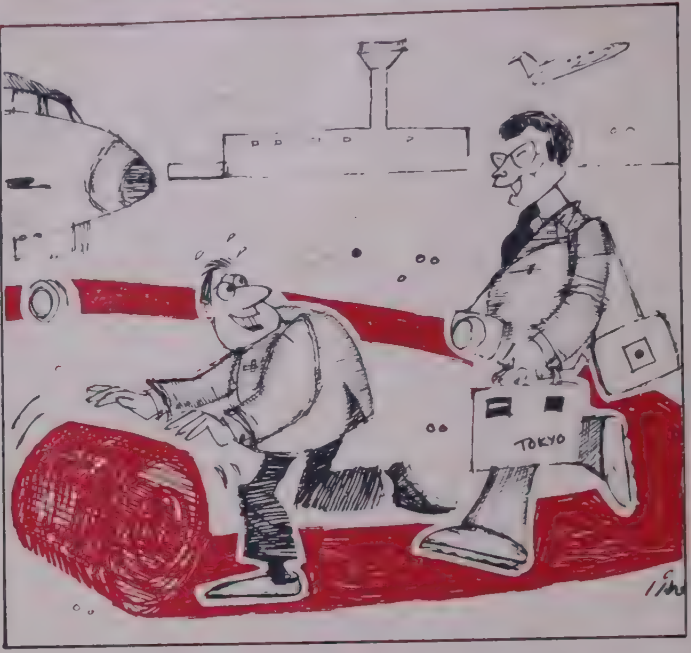
MORE TAXES AHEAD

The planning commission is labouring over the details of the Eighth Plan — whom to tax and whom not to. One of the proposals put forward by the commission is to heavily tax luxury goods. In contrast, the commission proposes to take a more liberal approach to the industrial and service sectors of the economy.

These facts were brought out in a paper on the perspectives and issues of the Eighth Plan. Higher taxation on luxury items is a must to meet the higher growth rate (7%) proposed for the Eighth Plan. According to Rajiv Gandhi, who chaired a full meeting of the commission, "diversion of productive resources for luxury consumption should be strongly discouraged."

Another suggestion is that industrial capacities built up for manufacturing luxury goods should be pre-empted for exports. The term luxury goods covers a wide spectrum including not only consumer durables like airconditioners and TV sets, but also jewellery, luxury housing, foreign travel for tourism, etc.

To develop the industrial sector, the commission is proposing some changes. The steering committee on industry for the Eighth Plan has set up 12 study groups to scrutinise the various critical areas — such as the role of financial institutions in industrial growth, industrial planning for export and management of the public sector — and recommend remedial and promotional measures. The proposed growth target for this sector is being set at 12%.



ANGLING FOR THE JAPANESE

The Indian government's attempts to lure the Japanese are coming thick and fast. The Festival of India in Japan was the first, Rajiv Gandhi's call to Japanese industry on 15th April was the second. The third is industry minister J. Vengala Rao's week-long visit to woo Japanese investment to India.

Addressing a meeting of the India-Japan Association in Tokyo on 30th May, Rao stated that a "highly congenial atmosphere for Japanese investment existed in India." He also said that the Indian government expected the Indo-Japanese ventures, when set up, to be export-oriented and not just focus on the domestic market.

The Japanese have taken the bait and the Confederation of Japanese Economic Association later informed Rao that an investment mission would be despatched to India.

Along with governmental efforts to woo the Japanese, the Unit Trust of India (UTI) is also getting into the act. A UTI delegation recently visited Japan to hold discussions on the possibility of setting up an India Fund.

The seminar was sponsored by Japan's Nomura Securities, one of the world's largest security firms, and Merrill Lynch of the US. The first India Fund was established in collaboration with Merrill Lynch and registered in Guernsey. It attracted a very favourable response. It is expected that the Japanese model of the fund, when it is set up, will also be as enthusiastically received.

MONSOON OPTIMISM

The agriculture ministry's rain dance seems to be taking effect; meteorologists have confirmed that there will be good monsoons this year. This prediction has activated the ministry into action again: steps are being initiated to take the country's foodgrains production to a new peak of 166 million tonnes in 1988-89 and 175 million tonnes in 1989-90.

To achieve the targets of the 'special foodgrains production programme,' the ministry has nominated 14 senior officers to monitor the implementation of the programme. This has been followed up with the relaxation of purse strings by the Centre. The Union government has doled out Rs. 26 crores as non-overdue credit assistance to various cooperative credit institutions.

Distribution of fertilisers is another major factor that is being taken care of. Retail outlets will be opened even in the remotest areas. Fertiliser consumption in 1988-89 is targeted at 10.5 million tonnes. In areas where soil improvement is necessary, farmers will receive Rs. 100 per hectare for the application of zinc sulphate and Rs. 200 per hectare for use of gypsum.

Special attention is being given to rice production, the major *kharif* crop. A total of 106 districts in 13 states has been identified for giving thrust to rice production. In these areas, attention will be given to the elimination of weeds, which destroy almost 30% of the crop. Farmers will be granted Rs. 100 per hectare for the purchase of weedicides. Emphasis is also being given to the use of improved high-yielding variety of seeds, timely control of pests and diseases and harnessing ground water.

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IMPRINT OF INNOVATION

Small leaguer Microcraft, a marketer of computer peripherals, is set to leap into the big beyond of computer manufacture. Rajiv Patkar, the man behind Microcraft, is sanguine that he will succeed.

Computers make for strange bedfellows. So when an Indian lecturer in management and a Ugandan electronics engineer join hands to set up a peripheral outfit, it might initially raise eyebrows, but success cannot cause much surprise.

But one person it certainly must have surprised: Rajiv Patkar, the promoter of Microcraft and the Indian half of the venture. His sole motive in buying a small industrial annexe in Andheri, a suburb of Bombay, was to set up a chemical analysis laboratory for his wife, a postgraduate in chemistry. Nothing had commenced when one day his Ugandan friend Mulamatta Carter walked in with a personal computer (PC) and sat down to repair it. Soon others were getting their machines for Carter to tinker around with and Patkar suddenly realised there was a booming market in servicing PCs. But from this rather serendipitous way of getting into the business, Microcraft has never looked back.

"We've found success coming our way," says Patkar. "But, of course, we had to work for it." Today, Microcraft is successfully marketing two exclusive products — the printer buffer and the microprocessor trainer boar — both of which have acquired small but satisfied clientele.

"And we are going into the manufacture of PCs, word processors an CAD/CAM systems soon," adds Patkar ambitiously. "All these products will be available at nearly half the price of our bigger competitors. This is possible because of the lower input costs of a small sector company. We really don't expect any problems selling our products."

The company has not been around for a very long time now. Flagged off in 1986, it has already notched up a turnover of Rs. 25 lakhs. And better days are evidently in store. With substantial orders from the state government for its printer buffers already in the bag, Patkar is sanguine that the company will be able to touch a Rs. 2.5 crore turnover next year.

TEETHING TROUBLES

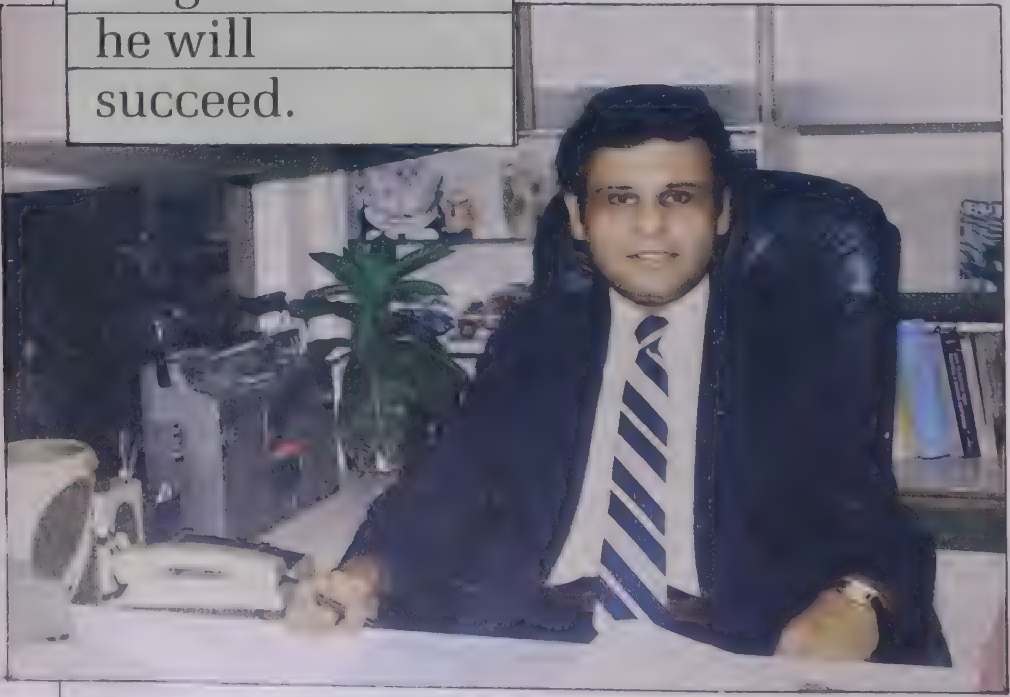
But it hasn't been smooth sailing all the way. When Microcraft came out with its printer buffer — a device which allows one to operate the computer even while it is printing an output — it immediately ran into red tape. Officials at the Directorate of Industries did not have the vaguest idea what a printer buffer was all about. It found no mention in the government's manual on computer peripherals. The result: there was no licence forthcoming.

"We spent a lot of time reasoning with them to allow us to retain the name," says Patkar. "But it was no go. Eventually, the buffer sneaked in under a different product category — "electronic signal conditioner" — which did find a mention in the manual.

Then came the parting of ways with Carter who was responsible for Patkar's entry into the business arena. "Carter wanted a 50% partnership in the business," says Patkar. "But the Reserve Bank would not allow this as he was not an Indian national. So, finally, he got disheartened and left."

But Patkar carried on regardless. His wife Jayshree pitched in to help out with the management and a team

PATKAR: ALL FOR INNOVATION



f technicians and engineers was oped in to fill the vacuum left by arter. A vacuum it certainly was. As atkar admits: "I was just the salesnan, he was the technician. The proluct ideas were obviously his."

Now, of course, the line extension lans into PCs and other equipment re all Patkar's doing. From the small eginning at Andheri, Microcraft is ow setting up a full-fledged manuacturing outfit at Pune. The investnent will all come from internal genration."I have not taken any loan so ar, neither from my family nor from overnment institutions," he declares roudly. "Microcraft did not need nuch investment because there was o capital outlay required initially beause we started as a service outfit. ater, expansion was paid for by proits. The Pune factory too is funded ntirely from internal generation."

"If you start with your pockets full f borrowed money, you tend to be xtravagant," he avers. "With somene else's money you can become vasteful. Then, instead of making rogress, you land in a crisis."

STRESS ON INDEPENDENCE

Another of his philosophies which nust have helped him along is his tress on independence. "I don't beieve in foreign collaborations," he ays. "There is knowhow available in he country if you look for it. Indigeous technology is as good. The only roblem here is that innovative ideas re not encouraged. And in computer echnology, innovation is a must beause the technology is changing so ast."

It is probably this approach to life vhich kept him out of the orthodox orporate rat-race when he returned India after completing his MBA in ne United States. His father, a viceresident of Saurashtra Chemicals, ad a job lined up for him in a Birla roup company. But he declined the ffer. "I never wanted to be a drone in corporate honeycomb," he says.

So far it has been relatively easy oing for both Patkar and Microcraft. ut to date he has been operating in reas which have no major players. In ervicing PCs none of the bigger boys re very much involved and the bufers and trainers are, of course, excluive products where the only problem s convincing buyers that there is ineed a need.

MICROCRAFT
COMPUTER CONSULTANT
CICF

ENTRANCE TO THE MICROCRAFT UNIT AT ANDHERI

But now, with the leap into the big bad world of personal computers, Patkar will be entering a totally new ballgame. Will he be able to cope and keep up the momentum?

Patkar feels his biggest plus point is after sales service. "After all, he started with servicing of computers," says Rathin Rai, manager of Computer Point. According to dealers, there are plenty of buyers for computers from small manufacturers because everybody has come to realise that most PCs are screwdriver jobs anyway and there is little to choose between one made by a small manufacturer and another by a large one. With the smaller outfits being able to sell their products cheaper and the guarantee of after sales service, why should companies like Microcraft not click?

Patkar himself is sanguine. "I have the grit and the determination to survive in this business," he says. And, always, the conversation veers around to innovation. It is this eagle eye on the fast-approaching future which may spell all the difference between success and failure.

■ *Maya Rai Choudhuri*

MICROCRAFT TECHNICIAN AT WORK

BOO

BSE TRADING FLOOR: ACTION TIME

No further incentives will be given to the industrial sector or the capital market besides those that have (already) been announced in the last budget and thereafter.
— Union finance minister N.D. Tiwari

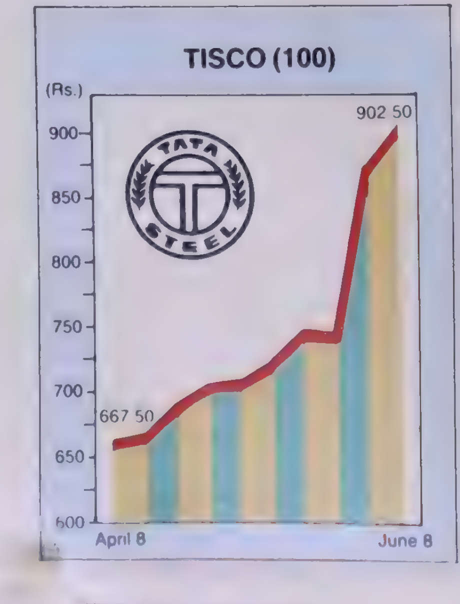
Never mind. The stockmarkets don't need Tiwari no more. Last year, not all the official hand-holding and soothing promises of goodies to come could enliven the bulls. Now it's the other way around. And, increasingly, the message that is coming through loud and clear can be summed up in a beautiful four-letter word : Boom.

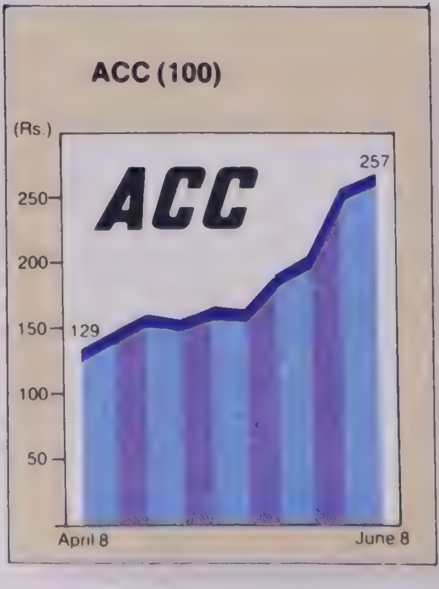
BSE PRESIDENT DESAI: CONFIDENCE RETURNS

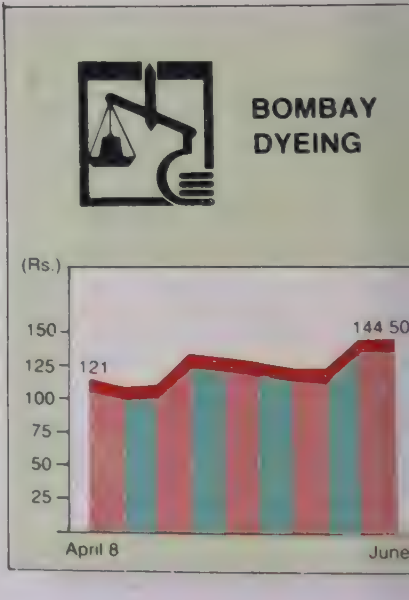
The signs are already there. In a frenzied bout of bull fever, the Bombay stock exchange's (BSE) 30-share sensitive index has leapt more than 200 points in just two months. On 8th June, the index stood at 628.63, just a hop, step and jump away from its all-time peak of 664 achieved in February 1986.

The frantic calls from the finance ministry that BSE executive director M.R. Mayya used to receive some months back have almost stopped. And that's tantamount to declaring the boom official.

Some more pointers. Barely a month after ACC's shareholders gave their company's rights issue of debentures the thumbs-down (the Rs. 25.53







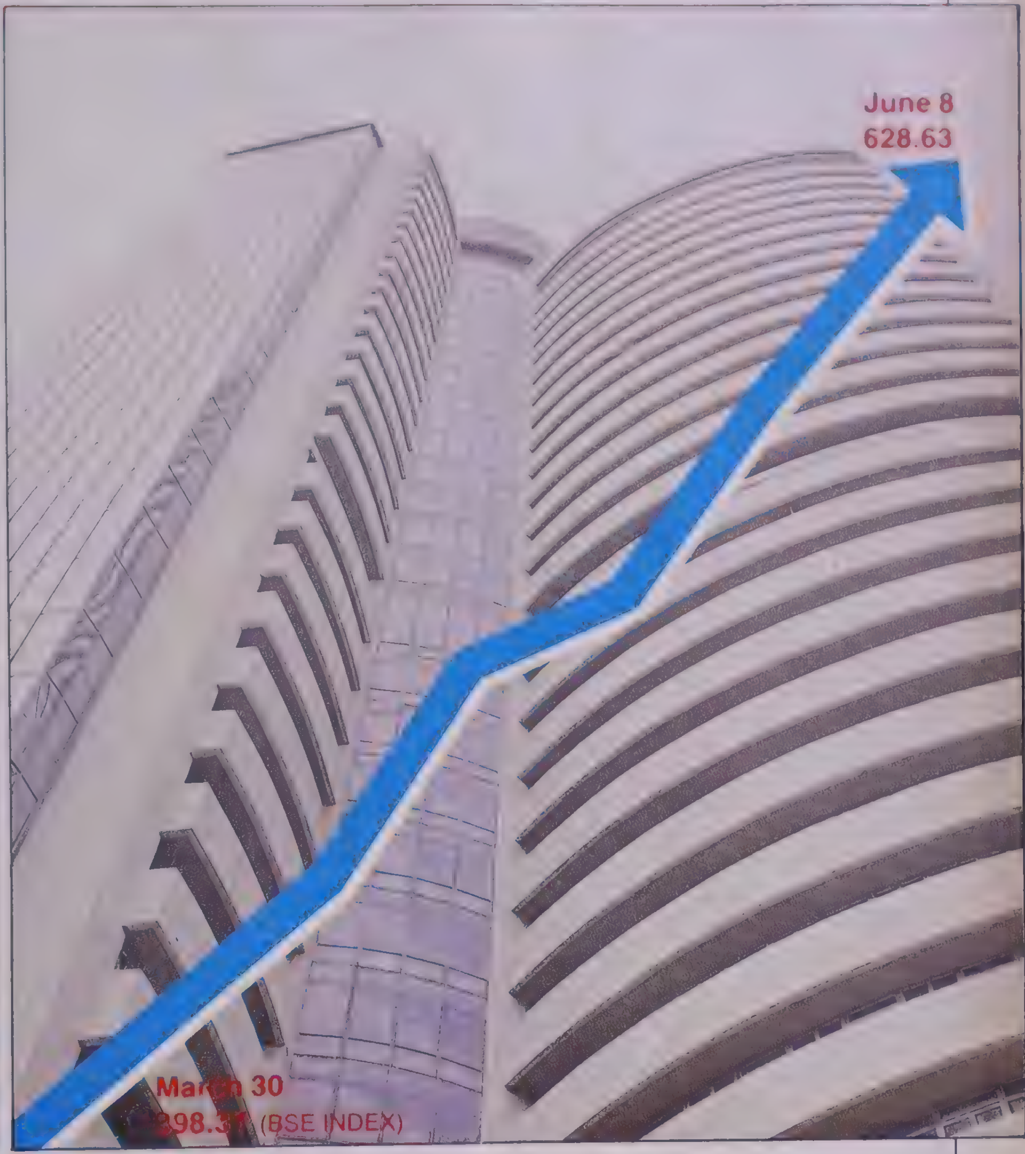
Official stock exchange quotation

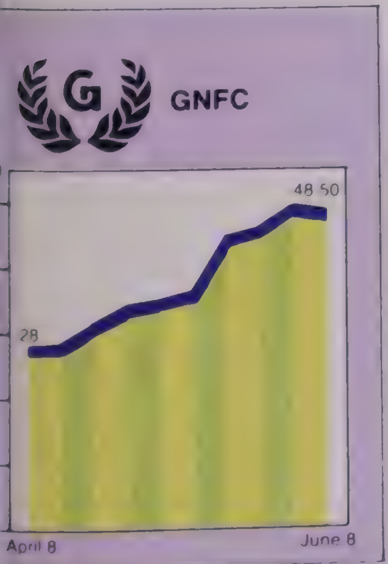
M

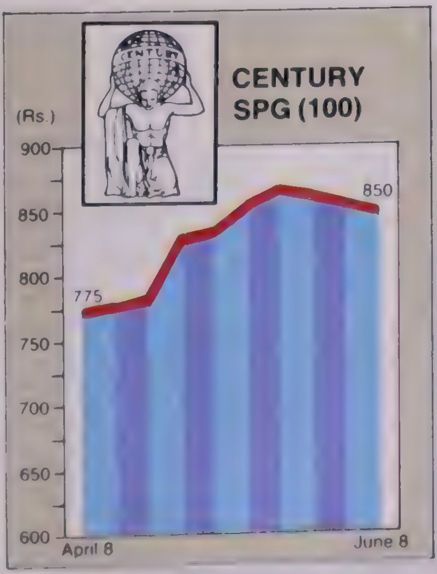
crore issue was undersubscribed to the tune of Rs. 6.8 crores), bulls in ACC had pushed the share to towering heights (Rs. 257 as on 8th June). The Reliance scrip, perhaps the best bellwether of trading sentiment, had zoomed by the second week of June to well past the Rs. 200 mark. Taking heart, other pivotals, too, have turned high-flyers — Tisco, Gujarat Narmada, Telco and Escorts among them (see charts).

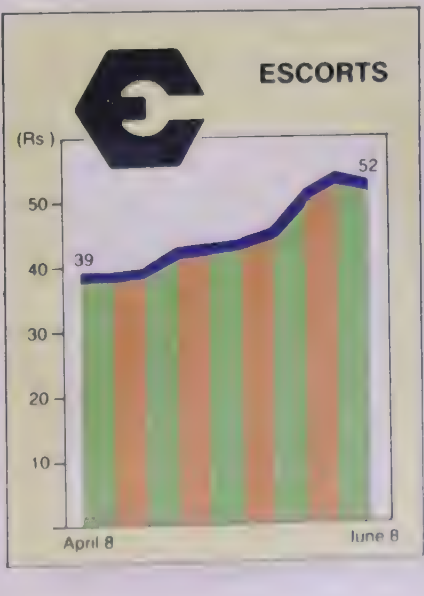
CONFIDENCE REVIVED

Even the scrips that were presumed dead have shown signs of life. Gujarat Hotels, which when last heard of, was sulking in the non-traded category of shares, has suddenly jumped into action. Its quotation has risen from the 5th April level of Rs. 6 to Rs. 10.50 on









THE RELIANCE FACTOR

It's a classic chicken-or-the-egg question. What came first, the stockmarket surge or the Reliance resurrection? Perhaps the least unsatisfactory answer is that the two came together.

The fortunes of Reliance and the stockmarket are, for all practical purposes, inextricably linked. The reason? Every sixth shareholder in this country is a Reliance shareholder. Anil Ambani, second son of Reliance's legendary chairman Dhirubhai Ambani, conservatively estimates his company's unduplicated shareholding fraternity at 1.6 million. Since the total size of the community that has embraced the equity cult in this country is not more than 10 million, the Reliance subsect is by far the largest bloc in this aggregation. Is it then any surprise that boom or doom, Reliance and the stockmarket are in it together?

It is not a mere coincidence that the two-year bear phase that began with the 1986 budget was more or less the period during which Reliance, the market's heart-throb, turned heart-breaker. Vishwanath Pratap Singh's uninspiring budget of 1986 had marketmen foxed and for a while both bulls and bears engaged in a cat-and-mouse game. But in June, Singh officially put Reliance in the doghouse by banning the conversion of the latter's 'F' series debentures. Overnight the hero of the stockmarket was identified as the villain. Not surprisingly, the bulls chickened out and the bears crowed.

Budgetary largesse. But 1988 has been roses all the way, both for Reliance and the stockmarket. Finance minister Narayan Dutt Tiwari has been particularly munificent, with concession after concession cascading into Reliance's receptacle. First came the budgetary largesse for the man-made fibre industry in the form of excise cuts on polyester staple fibre and filament yarn. As the biggest producer of both these products, Reliance is the prime beneficiary. Then came the government's fiat to fibre producers to shift to the use of purified terephthalic acid (PTA) as the raw material in place of dimethyl terephthalate (DMT). As the country's only PTA producer, it is Reliance that has benefited directly. And, to top it all, came the ultimate sweetener: the reinstatement of investment allowance, which has in the past helped Reliance save on taxes.

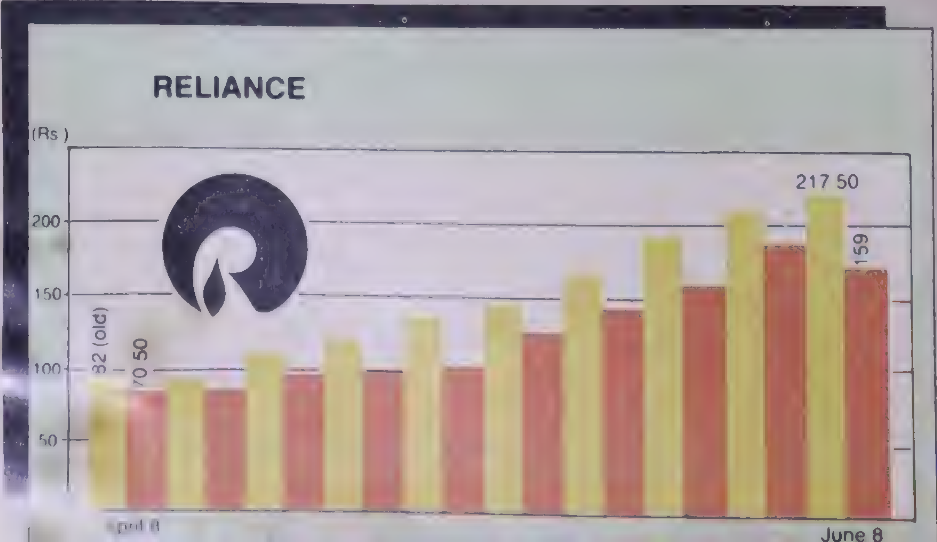
With almost all of marketmen's wishes turning horses, the bulls are riding the boom. Reliance is being lionised once again. In just a few weeks the company's scrip has taken off with a roar. From an unflattering quotation of Rs.82 on 8th April, the scrip had galloped all the way to 217.50 by 8th June. Bulls in other scrips like Tisco, Telco, ACC and GNFC have also been having a whale of a time while bears have been feeling like fish out of water.

All the actions of the Reliance management this year have been aimed at maintaining the momentum. It first decided to extend its accounting year by three months to 31st March 1988 so that the grim results of 1987 could be toned down by the better showing in early 1988. Then, in an unprecedented move, it again extended the accounting year by three months to 30th June so that the beneficial effects of the budgetary dollops could be transferred to the bottomline. The result: the bottomline looks not just moderately healthy but buoyantly so. The provisional figures for the 15-month period ending 31st March bear this out. Net profits have been put at a whopping Rs. 70 crores, five times the 1986 level of Rs. 14 crores (for 12 months).

Policy shift. A caveat, however, is in order here. With an equity base of over Rs. 158 crores, the net profit figure of Rs. 70 crores looks far less imposing. More so since the figure refers to a 15-month period. On an annualised basis the net profit works out to Rs. 56 crores, making it difficult for the company to declare a dividend of more than 30% on the huge equity base. For this reason, the company's top management is considering a shift in bonus policy. With reserves of Rs. 874 crores, the company can certainly offer a bonus to shareholders. But the moot question is whether it can generate the kind of profits to service an equity base of Rs. 200 crores plus after a bonus. The company may thus opt for high dividend payouts on existing capital rather than pay lower dividends on a wider equity base. The high rate of interim dividend (30%) being paid by Reliance in the ongoing accounting year is indicative of this shift in policy.

If the high dividend payout has been cause enough for Reliance bulls to stampede the market, the whiff of another bonanza should intensify their frenzy. In the works is a Rs. 500 crore issue by Reliance Petrochemicals, the bulk of whose equity may be proferred to Reliance shareholders on a preferential basis. Since petrochemicals have been moneyspinners in this country, marketmen have another reason for bullishness.

And when Reliance plays the bull, the rest of the market can ill afford to stay a mule.



8th June. Among the others stirring are previously ignored shares like Allwyn Nissan, Delta Hamlin and India Polyfibres. Says G.B. Desai, president of the BSE, "The confidence of investors has revived."

The frenetic activity inside the ring has been accompanied by belligerence outside it too. In the second week of June, trading on Dalal Street was brought to a screeching halt for two days with the employees of sharebrokers seeking their pound of flesh. Their cause: redressal of past grievances and in particular the issue of raising wages to the agreed level of Rs. 1,200-1,300, which some brokers have been resisting. One newspaper report went to the extent of alleging that the employee militancy may have been engineered by a bear operator who had lost his shirt in the bull stampede. If that is true, the reprieve he'll get will be shortlived. For there is absolutely no doubt that the bull charge has begun and all obstacles will be pushed aside.

NEW BARRICADES

The stock exchange authorities have already begun erecting the barricades. In a determined bid to cool the bull fervour, the BSE has imposed hefty margins of 20% on 24 volatile scrips and 15% on some others considered less volatile. But to no avail. Barely a day before these measures were announced, trading on the BSE rose to a crescendo to hit a new turnover peak of Rs. 110 crores — an all-time record.

One thing is certain. Speculative activity has returned to the stockmarkets. "Money has begun to come in from the bullion and real estate markets," says Ramdas Lallubhai Dalal, a former president of the BSE. "The sentiment has changed and speculative activity is gathering momentum."

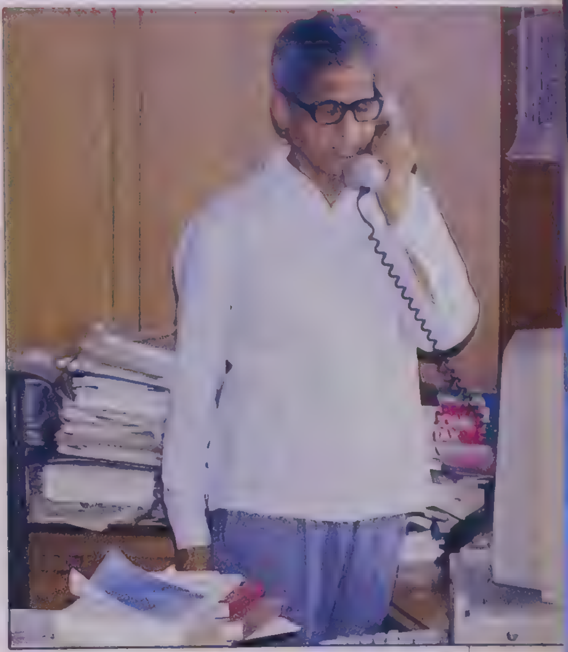
The figures bear out this contention. On 2nd June, when turnover topped the Rs. 100 crore mark for the first time in the BSE's history, the bulk of the action was in specified category 'A' scrips — the speculative list. Trading in category 'A' scrips accounted for as much as Rs. 80.45 crores of the total turnover; 'B' grade scrips chalked up just a fourth of that turnover at Rs. 19.73 crores, with bonds and debentures accounting for another Rs. 10 crores. It was the arrival of unbridled speculation that set off the 1985 boom. Is 1988 a rerun of 1985?

Not yet. "For one, the fundamentals haven't really changed," says Dalal. Besides, the rise of the BSE index has been too steep and too fast." A rise of 200 points in such a short time is unwarranted," adds Sunder Iyer, a prominent BSE broker.

To be sure, good news hasn't been in short supply. Tiwari's Union budget did scatter largesse on all sides, and, more specifically, in the direction of the man-made fibre industry. That didn't set the markets on fire. But some other measures that came after the budget did ignite hopes. One was the decision to free export profits in full from the tentacles of s.115 J of the Income Tax Act, which prescribes a minimum levy on all book profits. Another was the restoration of investment allowance. These two measures alone should provide a big bonanza to blue chip companies like Reliance, Tata Steel, GSFC, Gujarat Narmada, Hindustan Lever, Grasim Industries, Bajaj Auto, Larsen & Toubro and Tata Tea.

SCENES FROM BSE'S TRADING FLOOR: FRENETIC ACTIVITY

> I am confident that the upbeat mood (on the stockmarkets) can, and will, last
>
> — **J.N. Sapru**
> *ITC chairman*



BSE EXECUTIVE DIRECTOR MAYYA: NO MORE FRANTIC CALLS FROM DELHI

Observes J.N. Sapru, president of the Calcutta-based Indian Chamber of Commerce and chairman of ITC: "I think the upbeat mood in the stockmarkets reflects several favourable factors. The government has been making the right noises lately, what with the moves on liberalisation, further delicensing, the passing of the amended Companies Act, the announcement of new incentives and so on. These are all good signs. I am confident that this upbeat mood can, and will, last as long as government's thinking continues on current lines." N. Vaghul, chairman of the Industrial Credit & Investment Corporation of India, feels that the industrial climate has also improved. "There has been an uptrend in the number of applications for loans for industrial projects," says Vaghul and adds: "There is a degree of general buoyancy in the economy."

DICEY SITUATION

But such factors do not fully add up to a basic change in fundamentals. First, the after-effects of the Great Drought of 1987 could possibly be felt

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AVAIL OF THE INSTALMENT SCHEME

GOVAN/DRI/G5/87

this year when they are reflected in poorer corporate results overall. Second, the market has already taken a good monsoon in 1988 for granted. "The monsoon is expected to be good, but the market has gone up before the good monsoon has materialised," points out Sunder Iyer. "It's a dicey situation."

And the biggest fundamental factor of them all is the Damocles sword of potential selling pressure. In the past one year, the Unit Trust of India (UTI) is believed to have soaked up over Rs. 1,000 crores of shares, apparently under pressure from a government keen on reviving the capital market. UTI chairman M.J. Pherwani, however, bridles at any suggestion that the UTI had been propping up shares following governmental prodding. "Tell me, isn't a bear market the best time to buy shares?" he asks rhetorically.

The converse could now hold good. With prices rising, isn't this the best time for the UTI to book profits? Pherwani declines to comment, but marketmen already see some of the other institutions turning sellers. "The IDBI is offloading some of its holdings," says one BSE insider who declines to be identified. The general public is also taking the cue. "In the past few days, all the genuine investors who came to me wanted to sell," says another broker. Sunder Iyer confirms that non-resident Indian investors who invested heavily in 1985 now want to sell off their holdings. 1988 is thus different.

ICICI'S VAGHUL: GENERAL BUOYANCY

The bulls, however, will have none of this gloom. The reason, as Dalal puts it, is "the change in the market sentiment." It is always difficult to put one's finger on the factor that helped the sentiment to change for the better or, for the matter, on the exact time when this metamorphosis took place. Still, one can hazard a guess. "To my mind, the rise in Reliance has been a major factor behind the boom," says Dalal.

With good reason. As the company with the largest shareholder base in the country, what is good for Reliance is undoubtedly good for the sharemarkets too. And since finance minister Tiwari hasn't been tightfisted in putting concessions Reliance's way, the scrip was one of the first ones to lift itself off the floor (see box p.50). And with the other blue chips following suit, the gloom has certainly lifted. Says BSE president Desai emphatically: "The bear phase is over."

The bulls have certainly taken the point and started painting Dalal Street red. Counter after counter has come under the speculative grip and neither hurdles nor harsh words from officialdom have dampened their ardour. Take the case of ACC, the cement giant whose convertible debenture issue drew such poor response in April that the managers to the issue, J. M. Financial, were forced to approach industrialists like Nusli

BACK FROM THE DEAD

There's life after death, at least as far as dud shares are concerned. Signs of a stirring have been noted even among the dear departed, the presumed dead and other scrips that have thus far been in deep coma. With Bombay's Dalal Street now converting itself into Bull Street, they have risen to join the party.

April and May have been the months of revival. According to a study by *The Economic Times*, between 15th April and 16th May, some 220 comatose shares that were previously being traded below par, if at all, appreciated in value by close to 20%. *BusinessWorld*'s own randomly picked sample of about a dozen shares showed varying rates of rise, including some which increased by over 100%.

Investments come alive. Investors who had been sold a pup in the boom of 1985-86 should be happy to know that the puppy is alive, if not kicking. For example, Allwyn Nissan, which was stuck at the starting post as recently as 30th March (share price: Rs. 4.75) has suddenly got started and was quoted at par (Rs. 10) on 8th June.

THE REINCARNATION

	5th April	8th June
Allwyn Nissan	4.50	10.00
Eastern Circuit	4.25	7.00
Guj.Ambuja Cement	12.25	16.50
Guj.Hotels	6.00	10.50
India Polyfibre	4.76	8.00
Jindal Iron	7.50*	14.00
KR Steelunion	5.00	9.00
Ramganga Fertilizers	7.00	13.50
Stallion Shox	4.00*	6.00
United Diagnostic	3.50	5.00
United Diamonds	5.00	7.00
Universal Luggage	7.75	8.50

* Closing on 12th April

Stallion Shox, another laggard, perhaps got the shock of its life when its quotation doubled from Rs. 3 on 8th April to Rs. 6 two months later. United Diagnostics also appears to have found a temporary palliative for the poor state of its scrip's health. From Rs. 3.50 on 5th April, currently the share is up at Rs. 5. Not quite in the pink of health, but certainly better than before.

Ditto for Eastern Circuits, whose scrip has been electrified by the bull charge (up from Rs. 4.25 to Rs. 7) and for Gujarat Hotels (up from Rs. 6 to Rs. 10.50).

Apparently, there's still life in them thar shares. And where there's life, there's hope for the beleaguered investor.

Wadia of Bombay Dyeing and Darbari Seth of Tata Chemicals to bail the company out. That the company ultimately rejected their bids is besides the point.but the fact is investors responded poorly to the offer. But by mid-May, when the change in market sentiment was perceptible, ACC was suddenly transformed into a hot number. The scrip shot up by 100% in a matter of weeks, from Rs. 129 on 8th April to Rs. 257 on 8th June.

MARKET PSYCHOLOGY

How did yesterday's hot potato become today's hot cake? If anything, investors should have been more wary of going in for cement scrips on the eve of the monsoon — a period during which demand for cement usually weakens. The answer lies in the psychology of the market which turned from moody pessimism to sunny optimism in April 1988. "Earlier, the market had overdiscounted the bad news. It was, therefore, time for a correction," observes Sunder Iyer by way of explanation. And what about potential bad news? Answers Dalal: "Bofors and the Allahabad election results have already been discounted."

"I do not foresee any slideback, especially if the monsoons are good," says R.K. Pandey, executive director of the Delhi stock exchange. Dilip Khandelwal, president of the Calcutta stock exchange agrees. "Except for a few speculative scrips, share price levels are likely to stabilise at higher values than earlier," he says.

One major development at the country's premier stock exchange — Bombay — has also played a big role in aiding the bullish sentiment. In a palace coup towards the end of March, a coterie of disgruntled brokers banded together under the leadership of Manubhai Maneklal, one of the market's kingpins, to oust the then BSE president Mahendra Kampani (see *BW* April 25-May 8, p.22). The reason for their ire: Kampani was believed to be a roadblock to freer trading. It is not a mere coincidence that the ouster of Kampani marked the beginning of a new bull phase in the markets.

Over the past few weeks, the old restrictions on forward trading have been eased. The recommendations made by the S.A. Dave Committee for a two-phased easing of curbs have been put into effect and the limit for the carryover of transactions by brokers has been raised to Rs. 50 lakhs. Further liberalisation is also round the corner. "We are asking the government to raise the carryover limit to Rs. 1 crore," says BSE president Desai.

UTI'S PHERWANI: 'MARKET MOVES ON ANTICIPATION'

The trend towards greater freedom has acted like a tonic for bulls. And the counters in which they have really wagered their all are the potential high-performers like fertilisers (if there is a good monsoon), cement (if there is price decontrol or levy rates are raised), and man-made fibres (if the budgetary duty cuts raise sales and profits).

Given the iffy nature of the present bull phase, some stock exchange authorities worry that the market may be getting overheated. Says Pandey; executive director of the DSE: "The upsurge has been too sharp. We should find ways of ensuring that such sharp upswings do not recur and that any rise in stockmarket prices is more gradual."

BSE BROKER SUNDER IYER: UNWARRANTED RISE

> *Every bear is a potential bull. When the sentiment changes, bears have to cover their sales*
>
> **— G.B. Desai**
>
> *BSE president*

UTI chairman Pherwani is more sanguine. "The market moves on anticipation. Since the bearish psychology has changed, prices have risen fast." Desai of the BSE says that "every bear is a potential bull. When the sentiment changes, bears have to cover their sales. Hence prices shoot up."

With the secondary markets in full cry, even the primary markets look set for a rejuvenation. The past few months have proved barren for promoters in need of public money to finance their projects, with issue after issue biting the dust. The only major

exceptions have been the public sector bonds and the rights issues of established companies.

ENTHUSIASTIC PROMOTERS

But the clouds are lifting. Says Niren Suchanti, joint managing director of Pressman Advertising: "Promoters are no longer saying let's wait and watch. They are actively trying to fix dates for entering the capital market." R. Sankaran, chief of Standard Chartered's merchant banking division, is also optimistic about the future of the primary market. "By September, I think the new issues market will pick up if the secondary market holds up."

Meanwhile, the government has spotted fresh enthusiasm among promoters for capital consents. Says P.R. Bindhu-Madhavan, director (investment) in the Union finance ministry: "There has been a definite increase in applications for new issues in the past three months."

Among the major issues coming into the market by the second half of June and after are Camlin, India Glycols, Indian Charge Chrome, Fusion Polymers, Ispat Profiles and Kilburn Reprographics. In March, there were as many as 142 companies that were sitting on their hands despite having the government's capital consents in their pockets. While some have already taken the plunge, the others too are now sitting up and taking notice. If the secondary market doesn't slip, and the monsoon is normal, the second half of the year should see an explosion of new issues *a la* 1985-86.

> *If the monsoon turns out to be good, the prices may stabilise at the present high levels*
>
> **— Vinay Bharat Ram**
> *managing director, DCM*

One of the most tantalising prospects for the stockmarkets is the possible abolition of the tax on dividends in the hands of shareholders. Despite Tiwari's bald statement to the effect that the capital markets won't be getting any further incentives, the hope lives on. According to estimates made by Bhupen Dalal, managing director of Cifco, the revenue loss to the government on account of the abolition of dividend tax won't be more than Rs. 90 crores. But as far as market sentiment goes, this Rs. 90 crores can have an impact that goes far beyond its actual size. Says BSE president Desai: "On principle, a tax on dividend is equivalent to double taxation of the same income. We are hopeful that the government will take the right decision in this matter."

The government may see some merit in this argument since it has a vested interest in keeping the markets happy. For one main reason. With public sector bonds, which come with attractive tax-free advantages, crowding private sector bond issues out of the market, the equity option is the only one left for the private sector to raise money for its projects. The bear phase of the past two years had closed even that option to most new companies. Now that the secondary markets are back in mid-season form, it is in the government's own interest to keep a good thing going.

For the moment, though, the markets can manage quite well on their own. Says Vinay Bharat Ram, managing director of DCM: "Share prices move up or down due to a mixture of sentiment and reality. The present upswing is probably the result of expectations of a good monsoon and the abolition of the dividend tax. And once expectations go up, they feed on themselves. If the monsoon does in fact turn out to be good, prices may well stabilise at the present high levels."

But even more important than the monsoon is the ability of speculators to induct genuine investors into the game. That was how the 1985 bull phase began. Speculators first pushed up share prices to levels at which genuine investors were sucked into the vortex. And once the number of players on the market swelled, the boom took root.

1988 too has begun in a similar fashion, but so far the investor has come to the market only to sell — to book profits or cut past losses. Sankaran of Standard Chartered is confident that the investor won't stay on the sidelines forever. "Every investor is to an extent a speculator. So if prices rise, he will enter the market."

If Sankaran is right, what we are seeing are the birth pangs of the Great Bull Market of 1988.

■ *R. Jagannathan*
(with reports from Rajiv Shirali in Delhi and Sujoy Gupta in Calcutta)

KILBURN
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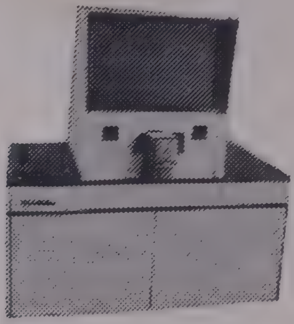

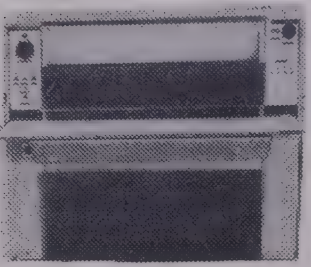

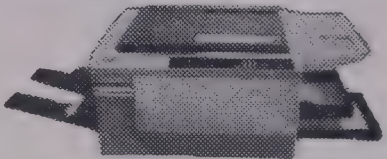

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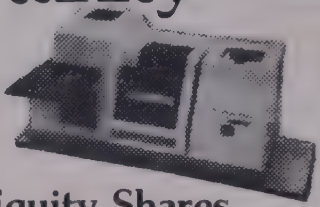

Issue of 8,70,000 Equity Shares of Rs.10 each for cash at par

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PRESSMAN

MONEY SUPPLY GALLOPS

There is an urgent need to curb the growth of money supply which has already registered a runaway rise in recent years. If the inexorable growth is not checked in time, the rate of inflation, which has already recorded a rise of about 11% in 1987-88, may progressively assume alarming proportions. In fact, due to three droughts in a row, the continuous rise in money supply may result in the rate of inflation rising to a record 20% as in 1974-75.

In the circumstances, the Reserve Bank of India (RBI) — as the country's custodian of the money and banking system — needs to take a serious view of the actual and potential inflationary pressures and adopt such drastic measures as are warranted to nip inflation in the bud. The RBI has itself expressed its serious concern over the hefty hike in the net credit to the government in some of its recent publications, including its latest *Report on Currency and Finance*. But it has virtually been crying in the wilderness, with New Delhi remaining in deep somnolence, even though the steady rise in the non-plan expenditure and the increase in dearness allowance (DA) to government employees will cause a heavy drain on the exchequer.

It is vital that the RBI keeps tabs on the situation. Due to the sudden decline in foodgrains production and the resultant rise in prices of a large array of agricultural and industrial commodities, the Union finance ministry and the RBI should not allow M1 to rise by more than 5% in 1988-89. At the same time, M3 should not be allowed to rise by more than 7% or 8% during the year.

UNDESIRABLE INCREASE

But there is evidence to suggest that the percentage rise in both M1 and M3 may be much more than what is necessary or desirable. In fact, the steady rise in government expenditure, sharp increases in government borrowing, larger plan and non-plan expenditure, hike in wages and DA to government employees will all raise money supply to a new record. Admittedly, the government has taken certain measures — such as a ban on recruitment in government organisations and banks. This has done little more than create frustration among the educated youth numbering about 8 lakhs who enter the labour market every year.

Although the RBI has been constantly stressing the need to mop up the excess liquidity, it has not been able to persuade the government to adopt a package of fiscal and monetary measures to curb the growth of money supply. In view of the decline in the savings rate from about 25% to roughly 22% in relation to the gross domestic product (GDP), there is now a serious need to give an incentive to the deposit growth in banks which has been quite sluggish. Nobody bothers that deposit interest rates have become totally negative in recent years due to inflationary pressures. In fact, there is no case to pursue a cheap money policy because of the explosive inflationary potential inherent in the economy.

The RBI needs to take a serious view of the actual and potential inflationary pressures and adopt drastic measures

But New Delhi is merrily increasing its plan and non-plan expenditure regardless of its effect on the economy at large. During the past eight years, the total volume of deficit financing has amounted to about Rs. 32,000 crores, or Rs. 4,000 crores per year. During the two years of the Seventh Plan, deficit financing amounted to about Rs. 14,000 crores, against Rs. 18,000 crores earmarked for the whole of the plan period.

It is true that the RBI has expressed concern about the showballing excess liquidity in the economy while announcing its slack season credit policy. The RBI governor, R.N. Malhotra, pointed out that the growth of broad money (M3) in 1987-88 was lower at 14.8%, against 18.8% in 1986-87. But he was realistic in suggesting that despite this there was a large growth in primary liquidity which could lead to a high secondary monetary expansion. In the circumstances, the RBI's slack season credit policy is aimed at moderating the growth of money supply to a level below 17% which is the average of the past two years.

The raising of the cash reserve ratio (CRR) from 10% to 10.5% of the net demand and time liabilities of banks was intended to mop up the excess liquidity. At the same time, the statutory liquidity ratio (SLR) remains at an inordinately high level of 38%. This is good as far as it goes, but the tragedy is that it does not go far enough. The RBI expects the growth in aggregate bank deposits in 1988-89 to be Rs. 20,500 crores or 17.4%, which may or may not be reached. The hike in CRR from 10% to 10.5% is estimated to impound Rs. 560 crores while the RBI released on 23rd April 1988, Rs. 744 crores of balances impounded between January 1977 and October 1980 under the incremental CRR. But in doing this, what the RBI gave with one hand, it took away with the other. Meanwhile, the bank rate remains at the old level of 10% which needs to be raised to 12% to clearly indicate that the days of dear money are on the doorstep to curb the menacing growth in money supply.

■ *A.K. Ganguly*

The author is a former editor of Newstime, *Hyderabad*

Carona Performance that Count

Statement of the Chairman at the 34th Annual General Meeting on 2nd June, 1988.

Dilip D. Khatau

"Ladies and Gentlemen

I have pleasure in welcoming you to the 34th Annual General Meeting of the Company.

Company's Performance

The Annual Report for the year ended 31st December, 1987, has already been circulated and with your permission it may be taken as read. Despite several constraints faced by the company during the year, arising out of severe competition and increased costs, I am glad to report that the profit of the company has improved over that of the last year. The net profit after tax has increased by about 43 percent i.e. Rs. 91.29 lakhs as compared with Rs. 63.71 lakhs for the year ended 31st December, 1986. The net turnover has increased from Rs. 39.73 crores to Rs. 43.49 crores and the net surplus (after adjustments) at the end of the year stood at Rs. 162.73 lakhs as compared with Rs. 65.54 lakhs during the previous year. Your Directors have, therefore, recommended stepping up the dividend from 20% to 25%.

Despite several constraints, the profit of the company increased by 43%

During the first four months of 1988, the turnover of the company has been Rs. 13.47 crores as compared with Rs. 12.41 crores during the same period last year. Barring unforeseen circumstances, the company hopes to improve its performance during the current year.

Share Capital

During the year 1987 the equity shares of Rs. 100/- each were subdivided into shares of Rs. 10/- each for the benefit of the shareholders. The rights issue of equity shares which was made during the current year has been fully subscribed and I am thankful to the shareholders for the support given to the issue. The allotment has been completed and I hope that the shareholders will continue this patronage in future as well.

Dividend up from 20% to 25%

Policies of the Government

The year that we leave behind had been a difficult one, but the resilience of our economy has been proved as it has successfully withstood the 1987 drought as compared to the years in the past when natural calamities like drought and floods severely depressed economic growth and pushed up prices exorbitantly. However, the setback in agricultural production and demand recession coupled with inflation has created a critical situation for Government and industry. Too much depends upon the oncoming monsoon of 1988 which, if adequate, should help prop up both industry and agriculture. The pre-budget survey presented in the Parliament calls for ruthless pruning of programmes of doubtful economic and social merit, reduction in subsidies and moderation in wage and salary increases.

The survey also expects industrial growth rate to exceed 8% after taking into account the lagged effect of the drought of 1987. Inspite of the severe constraints posed by the economic situation, limitation of resources and difficult balance of payment position, it is to the credit of the Government that it has not proposed any major increase in taxes in the budget. On the other hand the reliefs given to fixed income group by way of increase in standard deduction and relaxation in taxation of some income from dividend would help promote savings and investments. The exemption of export profits from taxation would certainly give the required impetus to growth of exports.

However, an area which seems to have been overlooked is reduction of import duty levies for project imports. The duty on imported plant & machinery for execution of a project was 55% upto 1986-87. However, on the plea of rationalisation of duty structure, the duty was increased to 85% in the 1987 budget, thereby considerably increasing the cost of new projects. In addition, over the past year or so there has been substantial appreciation of most foreign currencies vis-a-vis the Rupee which has increased project costs considerably. For instance, the exchange rate for Sterling Pound which was Rs. 18.66 in November 1986 has increased to Rs. 24.85 in April 1988 (increase of 33%); Japanese yen which was Rs. 7.99 per 100 yen in November 1986 is Rs. 10.62 (increase of 32.9%) and Deutschmark which was Rs. 6.57 per mark in November 1986 is Rs. 7.90 (increase of about 20%). These currencies are further appreciating day by day. Within a period of a mere 18 months i.e. from November 1986 to April 1988 costs of projects would have gone up by a staggering 50% (with regard to imported plant & machinery) only on account of exchange fluctuations and increased import duty. This would obviously increase cost of production substantially thereby making the end-product far more expensive to the end consumer. This would also make projects unviable in some cases and in any event, uncompetitive in both domestic and international markets. The Government should therefore, realise the impact of these increases and bring about suitable reduction in the duty for project imports.

I am heartened to read from press reports that the Government is thinking of further liberalisation in industrial licensing policy, expanding the scope of exemption from industrial licensing, schemes like automatic re-endorsement of highest production and selective reintroduction of investment allowance sche
which will all help to stimulate industrial gro
However, it must be emphasised that In
industry has grown in an environment whic
the birthchild of several factors like political
economic policies of the Government, lc
productivity, obsolete technology, absenc
economies of scale, shortages of power
essential raw-materials and other pec
factors. As such it is not prepared to face s
sudden liberalisation and excessive comp
tion. These may, at best, help large and m
national corporations who have the wherewi
to take full advantage of these measures.
Government should use moderation w
adopting an open-house policy and gradu
prepare Indian industry to face the atmosph
of free competition and at the same time br
about appropriate changes in its policies so
to give enough freedom and support for
management to take long term decisions a
effect economies of production. Further, in or
to promote local talent and encourage
Indian entrepreneur, the Government sho
judiciously differentiate between multinatio
and Indian companies, dominant and non-do
nant companies. If introduction of such chang
are not tempered with moderation and only
open ended policy of liberalisation is followed
would result in widespread sickness which
the context of social justice cannot be within t
present policy framework of Government.

Exports

It is heartening to note that the Government h
been giving high priority for exports. It is al
encouraging to note that even though the b
lance of payments position is not very favoura
le, the Government, instead of adopting repre
sive policies like restricting imports etc. has ch
sen a positive route by giving incentives f
increased exports.

Your company is committed to a co
tinuous and substantial export growth. You
company's exports during 1987 hav
doubled compared to that of the previous yea
The earnings in foreign exchange during 198
was Rs. 143.27 lakhs as compared to Rs. 69.2
lakhs during 1986. However, the rubber/canva
footwear industry has not been able to take fu
advantage of the export potential available. Th
cut-throat competition and the price war, bot
within the country and abroad, is a challeng
which cannot be fully met only by internal mea
sures taken by the industry. Countries lik
Taiwan, Korea and China receive considerabl
support from their Governments for rubber/can
vas footwear exports and are therefore, able t
march far ahead of us. In India, apart from th
fact that the rubber/canvas footwear sector ha
not received the attention it deserves fro
Government, the price fluctuation, uncertainty i
timely availability of quality rubber and consta
increase in prices of essential raw material
have dampened the efforts made for expo
promotion.

In contrast, consider the leather good
industry which has been receiving considerabl
support and concession from the Governmen
enabling the industry to match their price an
quality with international competitors. Whe
compared with leather footwear, canvas foot-
wear has no less potential for export. If th
blanket concessions which are given to leathe
goods industry are also extended to the rubber
canvas footwear sector and if it is freely allowe
to upgrade its technology by importing lates
equipment and technology at concessiona

ates of duty, it would show substantial improve- nent in its export performance. Representa- ons have been made in this regard and I hope hat Government will take timely steps to exploit ully the potential that rubber/canvas footwear ector offers to the country.

Footwear Industry

he drought situation has brought about a eneral demand recession for consumer pro- lucts and footwear is no xception. This coupled vith increase in supply rom various quarters like norganised sector, small cale sector, large indus- ries who are entering the ootwear business and mul- inational companies using nternational brands has created a critical mar- et situation. The only way to face the situation s to improve quality, productivity and variety. This calls for upgradation of technology by using atest equipment and methods of production, videning the range of products especially sports and leisure shoes to cater to the upmarket seg- nents of the market in addition to normal pro- luction of regular leather, canvas and rubber ootwear.

Exports doubled

Further, due to the inflationary conditions here has been a steady increase in the cost of many essential raw-material like textiles, rubber chemicals, titanium dioxide etc. Labour cost is an important factor in the cost of production of ootwear. Your company's factory is situated in Bombay which is a high wage island. The com- pany has to bear heavy annual burden of wage ncrease due to index variations. Further, due to extended competition and availability of cheap- er footwear, though of poorer quality, there is a rend towards demand for higher trade margins by dealers. Unless the employees of the com- pany join whole-heartedly n the efforts being made by the company to arrest escalating costs by impro- ving quality, productivity and efficiency, the future will pose a serious threat to the company's profitability.

Urge government to use moderation in further liberalisation measures

Productivity

To face and survive in the midst of a formidable com- petitive environment, your company has no other op- tion but to improve produc- tivity, thereby reducing cost of production. The long term settlement reached with the union earlier gave liberal increase in benefits to employees. Further the annual in- creases in employee costs due to increases in dearness allowance have substantially added to the cost of production. The present employee cost in the company is about 30% of operating cost which is very high compared to the stan- dard prevailing in the industry. While the com- pany has been following the policy of giving maximum rewards to its employees, in order to be competitive and to survive, increases in wage bill must be offset by increased producti- vity. High productivity is a major source of suc- cess in modern times. Many successful coun- tries like Japan, Korea and Taiwan, inspite of high employee costs have been able to effec- tively compete with other countries through high productivity and as a result lower costs. The employees of the company, in their own long term interest and in the interest of survival and growth of the company should extend their who- le-hearted support to the efforts being made by the company in introducing work study, rationa- lisation, modernisation and computerisation wherever feasible. The policy of the company is not to reduce the employee force but to attempt at the most effective and efficient utilisation of human resources.

I need not reiterate and stress the im- portance to be attached to customer relations and customer service. We are in a buyer's mar- ket and better merchandising and improved customer service should be foremost in our mind and thought. The field staff, who have in the past built a reputation for Carona's quality and service, should continue to look for innovative methods for merchandising and for improving customer rela- tions and service.

Small Scale Sector

The company has enlarged its net-work of small scale and ancillary industry by entering into agreements with several units, assuring 100% buyback arrangement and supporting them with technology, design, quality control and where neces- sary with raw material sup- plies. However, the recent imposition of excise duty in small scale sector manu- facturing branded goods for other sectors has nul- lified to some extent the mutual advantages available to both sectors. The Government should review the situation in the interest of promoting small scale industries.

Need to improve productivity

Change in name and MRTP Deregistration

As approved by the members in the last Annual General Meeting, the name of the company was changed to Carona Ltd. with effect from 25th August, 1987. Your company was deregistered under the Monopolies & Restrictive Trade Practices Act during 1987.

Subsidiary Companies

To augment its revenue and also to specialise in export of various products, the company has floated a separate subsidiary company i.e. Carona Exim Ltd., in November 1987. This company will specialise in export marketing and will be of great help to the Company to improve its export potential. CSC Finance and Investment Ltd., another subsidiary, will specialise in leasing and investment activities.

Employee Relations

The employee relations during the year 1987 remained cordial but for minor issues, which could be settled by better understanding and accommodation. While every effort is being made to be as far as possible accommodative, in the interest of smooth functioning of the company, it must be realised, that all understandings and settlements add to employee cost.

The company, as part of its policy to develop human resources on continued basis has conducted several management development and training programmes for its employees at different levels.

Cordial employee relations

Acknowledgements

I wish to place on record our appreciation for the cooperation extended by the Union and employees in resolving various issues amicably. I have no doubt in my mind that if this trend continues and company receives the sustained support of its employees for its plans for expansion, modernisation, rationalisation and computerisation, the company can march rapidly on its path of progress.

The supervisory staff, field staff, officers and executives deserve our commendation for the untiring efforts put forth by them against all odds to steer the company to achieve greater heights.

I am also grateful to the small scale industries and the ancillary units who have helped us in supplying quality products to meet the discriminating demands of our customers.

I also wish to place on record the excellent support, cooperation and patronage given by our network of wholesalers, agents, retail dealers and our valued customers. On behalf of the company I can assure them of sustaining and improving the quality of product and customer services to meet the discriminating demands of the customers. I am also grateful to all Governmental authorities and departments, the company's bankers and financial institutions for supporting and helping the company in its path of progress.

I will be failing in my duty if I do not place on record my appreciation and gratitude to my enlightened colleagues on the Board of Directors for their matured guidance and advice.

Before concluding, may I express my hope and conviction that the valued shareholders and other investing public who had reposed confidence in the company, would continue their support and patronage and participate in the growth and prosperity of the company. I may assure that they can continue to hope for better results in future.

Thank you,"

DILIP D. KHATAU
Chairman

June 2, 1988.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

Carona Ltd

PROTECTION FOR CORPORATE BORROWERS

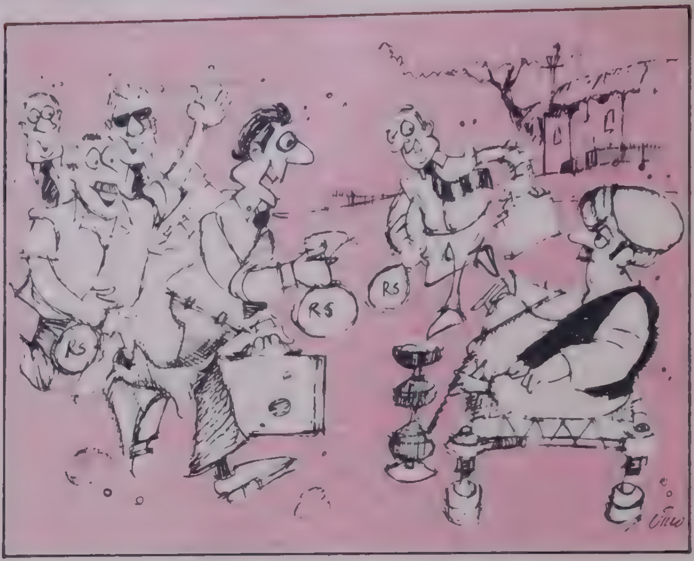
The ambit of the exchange risk protection scheme has been reduced to cover only new foreign currency loans. According to the plan, the corporate borrower will receive the loan in foreign currency but will then enter into an arrangement with the financial institutions to repay the loan in rupees. The risk of any currency fluctuation will thus be borne by the institutions. For this facility, corporate borrowers will have to pay a higher rate of interest.

It was initially envisaged that the scheme would include even loans which had been arranged earlier. However, in its first stage the scheme will apply to only new loans with the possibility of it being extended to other loans in a year or so.

SANCTIONS FOR OGL IMPORTS

The financial institutions are likely to ask corporate customers to take foreign currency loans even for equipment imports under open general licence (OGL). So far the institutions have sanctioned these loans only for non-OGL plant imports. They have been releasing rupee loans for OGL items.

The main reason for this is that the institutions have comparatively comfortable foreign currency resources following the sanction of several World Bank lines of credit and commercial borrowings from the international market. On the other hand, the rupee resources position has been rather strained because of the stagnancy in funding by the government.



RBI'S RURAL THRUST

Rural India, it is well known, has not exactly been a success area for banks. The Indian farmer — hemmed in partly by habit, partly by the moneylender — has been reluctant to entrust his cash to the banker.

To remedy matters, the Reserve Bank of India (RBI) has hammered out a rural lending plan. Detailed guidelines have been issued to the banks, aimed at deepening their credit thrust into the rural sector.

The guidelines allocate specific service areas to each bank. Typically, each branch is expected to service 15 to 25 villages. Apart from their customary involvement in programmes such as the Integrated Rural Development Programme, the banks have also been asked to prepare 'village profiles.' These, in turn, will form the basis for annual credit plans for these villages.

The RBI is convinced its new guidelines will increase the interaction between bankers and farmers. But it remains to be seen whether such interaction will break the moneylenders' usurious grip.

UCO BANK'S LEASING VENTURE

A new player is about to enter the leasing field: Uco Bank. In collaboration with National Insulated Cable Co. of India (Nicco) and the International Finance Corporation (IFC), Washington, the bank will soon float a leasing outfit, styled Nicco Uco Leasing Ltd. The Reserve Bank recently gave the venture its go-ahead signal.

Nicco Uco's paid-up capital will be Rs. 150 lakhs. The Nicco group and its associates will hold 55%, Uco Bank 30% and IFC 15%. In the fourth year of the company's existence, Nicco Uco will hike its paid-up capital to Rs. 3 crores, with each of the promoters shelling out the additional money in the existing proportion.

Depending on how the leasing venture fares — given the present state of the industry, it could be anybody's guess — there are plans to tap the capital market. IFC will extend a line of foreign credit. Other sources of borrowings are likely to be public deposits and the banking sector.

WORLD BANK AID TO RISE

India has reason to place its bets on Barber Conable, the World Bank president. Talking to the correspondent of an Indian news agency in Bonn, Conable gave an assurance that World Bank soft loans to India would rise by 10% a year in future.

This assurance could not have come at a more opportune time, particularly because the country's external trade deficit is growing to nasty proportions. Foreign exchange reserves are falling and though exports have been picking up slightly, there is sufficient ground for anxiety. Arjun Sengupta, the Indian director on the International Monetary Fund board, summed up the situation neatly when he said in Delhi recently that "India is not far from the debt trap."

The prime significance of Conable's statement is that it will enable India to bypass the debt trap. Moreover, World Bank aid is to be increasingly employed to modernise agriculture. "India is just on the edge of being food-sufficient at this point," Conable said.

CONABLE: LOAN ASSURANCE

SOUTH KOREA

HOME-GROWN HI-TECH

South Korea's economic miracle has been based so far on churning out goods which undercut everyone else's. It has applied its cheap and hard working labour to a relatively narrow range of technologies copied from other countries.

But all that is set to change. "The key element for Korean manufacturing industry to compete will be to have our own high technologies," says Sang Bong Oh, director of the high tech industries division of the Korea Institute for Economics and Technology, a think tank for the ministry of trade and industry.

Korea's economic planners see no alternative. Rising labour costs and the appreciating won mean that it is ceding its edge on prices to other Asian countries such as China and Thailand. Growing awareness of the competitive threat it poses means that advanced industrialised nations are increasingly reluctant to allow it access to their latest technology.

The country's scientists and engineers have already notched up some technological successes. Won-Hoon Park, director of research coordination at the Korea Advanced Institute of Science and Technology (KAIST), the premier research body, points to progress on three fronts.

Materials science, including chemical materials, fine ceramics, composite materials and polymers. Park is especially proud of international patents recently awarded to KAIST, for an asbestos substitute. David Harrison, vice chancellor of Exeter University, who led a delegation of British scientists to Korea last month, noted the research going on into polymers and new materials.

Electronics. Korea has become the third country after the US and Japan to make one-megabit memory chips. A joint research team, drawn from government institutes and business conglomerates, is already working on the next generation four-megabit chip.

Engineering science. Projects include advanced production technologies such as automation, chemical engineering and thin film techniques.

> *S. Korea's economic miracle, based so far on the application of cheap labour on a relatively narrow range of technologies, is set to change. Economic planners see no alternative to the development of its own high technologies*

The ministry of science and technology — housed like all Korea's powerful economic ministries in the squat modern buildings of the Gwachun government complex outside Seoul — has mapped out five scientific fields to which it has attached three levels of priority (see chart).

The top rating goes to a group of income-earning technologies, such as micro-electronics and fine chemistry, where Korea wants to be among the world leaders by the year 2000.

Next come fields with potential for success, like new materials, and activities common to all high-tech endeavours, such as systems engineering. Korea plans to be within sight of the world leaders in these by 2000.

Finally, there are areas either relevant to the public good or which are at a pioneering stage. With these the aim is simply to be acquainted with leading edge research.

To help implement these goals, the ministry wants investment in science and technology to account for 5% of gross national product by 2001, compared with 2.2% last year.

Elsewhere, these objectives might be dismissed as bureaucratic daydreams. Yet the Korean economy has consistently out-performed its economic planners' boldest targets. So how does it intend to realise its ambitions for science and technology?

The government is setting up a network of top class research institutes, science universities and other technology centres. Some, like KAIST, trace their origins back to the sixties. Others, like the Daedok science town with its elite undergraduate university, the Korea Institute of Technology, are just being completed.

To help recruit the right calibre of staff and to provide manpower for Korea's industrialisation, the government has encouraged a rapid expansion of technical education. By 1986, 40% of all high school pupils were in vocational and scientific schools, a post-war innovation.

Many Korean students receive a firm scientific grounding, but the country still lacks the resources to educate enough scientists to post-doctoral level. Most of the scientists filling Korea's labs received their Ph.Ds abroad, usually from the US or Japan.

Upgrading science education. The government intends to send even more of Korea's bright young scientists overseas for their final education, but Yong Jin Park, assistant education minister, says his department is also planning to boost domestic postgraduate training. KAIST, which houses the country's elite postgraduate science school, has awarded 420 Ph.Ds since 1971. It intends to expand that output to about 4,000 by the year 2000.

Meanwhile, Korea is trying to lure back emigrant scientists and engineers with a government-funded package of financial incentives. The authorities want to repatriate about 2,000 of them over the next 12 years.

While building up its indigenous resources, Korea is also using its new financial strength to accelerate the import of foreign technology. Controls were relaxed in 1984 and there are five-year tax breaks on the cost of these investments.

The country paid foreign royalties of $523.7 million last year, up from $115.7 million in 1982. The electronics industry accounted for much of the increase. With royalty payments of $190.3 million last year, it has become the country's biggest technology importer.

Japan accounts for by far the largest number of these transfers, but the value of royalty payments flowing to the US easily exceeds the Japanese share. "This has led many people to speculate that the US provides more high technology and basic technologies, and Japan provides more process technologies," explains Hee Yol Yu, director of technology transfer in the ministry of science and technology.

This flow is improving the technological competence of Korea's private sector — an important objective. During the eighties, the private sector has overtaken the government to provide the lion's share of R&D funds. Korea's conglomerates have set up well staffed research labs. The most impressive is the Postech institute, established by the Posco steel company in the south of the country. However, most private labs still concentrate on applications close to the market, leaving more fundamental research to the government institutes.

Three of the four divisions of the new 500-strong central research lab of the Goldstar electronics company, for example, are devoted to applications in semiconductors, consumer electronics and office automation. Among the projects it has been tackling are digital audio tape, high definition television and the printing and imaging mechanisms underlying advanced facsimile.

Pure research. Even the lab's fourth division, supposedly devoted to pure research, has so far concentrated on work close to the market, according to Jung-Ho Park, its head. Thus, much of its research into areas like opto-electronics, electronic ceramics, optical disc memories and solar cells has been linked to a drive to replace imported components. However, Park hopes his division will increasingly turn to fundamental research. The number of scientists and engineers employed will be increased from 70 to about 200 by nineties.

Prestige projects are already being carried out by private-public consortia, with the private sector sometimes in the lead, as Samsung has been with the four-megabit memory research.

But while much of what is happening is impressive, it would be easy to forget the weaknesses that must be overcome.

The increase in the number of students going through its educational system has been so rapid that many of the facilities are poor by foreign standards. Even in Korea's leading universities, student-teacher ratios can be more than 30:1. One scientist with a Harvard Ph.D complains that she spends so much time teaching she has no chance to do research.

The technological drive is so recent that it is inevitably still some way behind the world leaders. Visiting western scientists describe even Korea's elite research institutes as on a par with only the second flight of universities in the west.

Moreover, Korea has relatively few scientists trained to Ph.D level, resulting in a thin spread of key personnel. This is often reflected in the narrow focus of research. In semiconductors, for instance, the concentration has been on memory chips, with little work on more advanced customised devices.

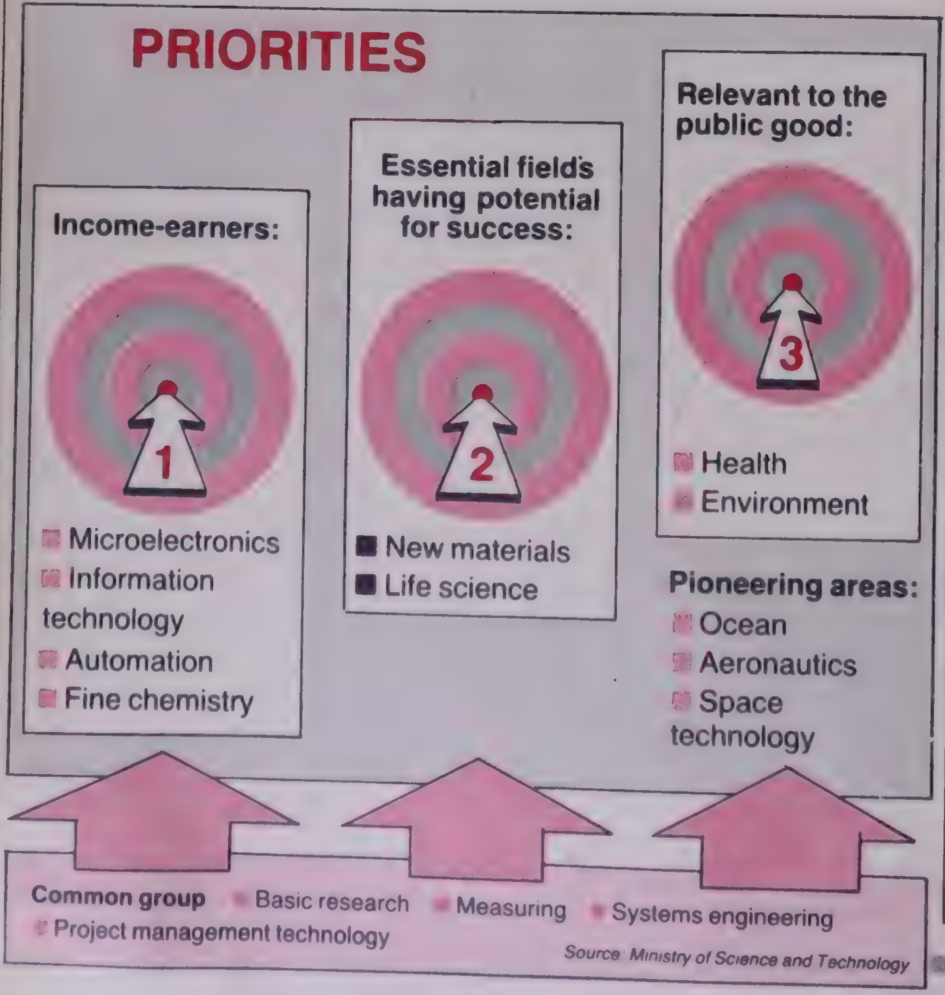
The Koreans are aware of these weaknesses and one response has been to go for prestige projects, designed to propel them several rungs up the world ladder. Postech, for example, intends to build a large synchrotron particle accelerator, a device possessed by only a handful of countries and which allows research at the frontiers of physics, chemistry and biology.

Oakley, of Logica, describes this as a bold decision. If successful, it will attract world class scientists. However, he wonders whether this is a sensible priority for a smallish country still in the process of industrialising.

Korea's greatest weakness is its lack of financial and market muscle, particularly when compared with Japan. But the Koreans cannot be underestimated when it comes to fulfilling ambitions.

■ *David Thomas*

(By special arrangement with the Financial Times, London).



Source: Ministry of Science and Technology

JAPAN

WOOING EUROPA

The picture was rather quaint: the frame and the background were Teutonic but the central character was oriental. Noboru Takeshita, looking chic in his immaculately laundered suit and his neatly brushed and unruffled crop of hair despite the many bows before his German hosts and the hordes of restless journalists in Bonn, was on his maiden official visit to the Federal Republic of Germany (FRG) during the first week of May. That he should have decided to come to Western Europe on his first overseas visit as prime minister speaks volumes for the significance being attached by him to the European Community (EC). Indeed, there is talk now of the "Tokyo-Washington-Brussels triangle" replacing the hitherto "Tokyo-Washington axis" in international economic relations.

The Japanese have been unnerved in the recent past by threats dropped by the US administration to restrict Japanese exports. Officials have declared they will introduce protectionist measures if Japan does not open up its own market to US products. Japan will not forgo its lucrative relationship with the US but it would give greater attention to the EC whose 12 member states constitute, after all, the single largest trading region.

Although Takeshita's four-day visit to the FRG did not have any strong economic component — no bilateral or any other agreements were signed — it nevertheless underlined the traditionally good relations between two of the most important industrial countries of the world. The Japanese have switched over from being a mere exporting nation to a strategy of "operating from within" the euphemism for setting up manufacturing or assembly units in the market itself. This transformation of the Japanese industry has taken place much faster in the eighties than at any other time after World War II.

Changing tactics. Criticism of Japanese dumping practices had started mounting as early as the seventies. Stung by these attacks, the Japanese realised that they would have to change their tactics if their traditional markets were not to be lost. The gradual change of gear from an exporting nation to a nation "operating from within the market" has become so widespread that more and more Japanese companies are setting up plants abroad — even in countries where demand for goods does not exist. The intention behind this change is to create a market through subtle cultivation of demand or to establish a plant in a country where low wages, skilled personnel, infrastructural facilities and accessibility or proximity to other markets in the region are available.

Japanese entrepreneurs in Dusseldorf — veritably Germany's "little Japan" with its heavy concentration of Japanese companies, restaurants, schools, grocery stores and what have you — admit in private conversations that they were initially not happy over this transformation. Even during the early part of the current decade, Japanese planners felt that it would be extremely difficult, if not impossible, to achieve and maintain the level of Japanese quality standards at production sites outside Japan. Such presumptuous remarks had, in fact, been publicly voiced by the Toyota management. But then that was yesterday. Today several hundred leading Japanese companies "operate from within" the markets all over the world and the trend is that many more will follow them tomorrow.

> *The gradual change of gear from an exporting nation to a nation 'operating from within the market' has become so widespread that more and more Japanese companies are setting up plants abroad*

The visit to the FRG by a delegation of the Japanese economic association, Keidanren, shortly before Takeshita's arrival must also be seen in this context. "We have done enough for America," said the head of the delegation, Yoh Kurosawa, who is also the vice president of the Industrial Bank of Japan, in Frankfurt. "It is now Europe's turn ... and foremost of all of the FRG," he added.

Japanese foreign investments have gone through a major shift in recent years. The share of Japanese investments in the US declined from 45% in 1986 to 36% in 1987, whereas the share in Asian countries rose from 10% to 19% and in Europe from 15% to 21% during the same period.

Spreading trend. This transformation was forced upon the Japanese not merely by the economic threats held out by the US administration. The steady appreciation of the yen against the major currencies of the world lubricated the process of shifting of production units to sites outside the country. German businessmen returning from the 'land of the rising yen' have said that the trend for moving out of the country was spreading and that many Japanese were also increasingly employing foreigners in their head offices in Japan. 'Japanese' video cassette recorders and other electronic gadgets, for example, were being supplied from plants in Germany. German analysts of world economic trends predict that the Japanese are at present engaged in setting up a new kind of infrastructure all over the world.

The intertwining of the operations of Japanese companies with each other becomes very clear when one sees their strategy of clinging to each other in a foreign market. This propensity prompts a large number of subcontracting companies in Japan to follow production companies to foreign locales. The case of the German automobile company Volkswagen in Mexico illustrates the problem very clearly. Volkswagen has been voicing concern that the Japanese were not only setting up competing car production

KOHL AND TAKESHITA: COMING CLOSER

units in the southern hemisphere but were also penetrating the circle of subcontractors. This development also explains the fact that more than 300 Japanese companies are engaged in production in the US and an equally large number are in the process of setting up their production units.

The large Japanese companies, including a section of their subcontractors, are trying to set up a network in East Asia which will enable them to benefit from the advantages of low wages in these countries. Also they will achieve a flexibility which will increase their own resistance in facing rough weather in the international trading atmosphere. This tendency is particularly evident in the automobile industry, implying that labour intensive operations will be shifted to countries with low wage levels. The automobile engines produced in these countries are transported to Japan for further processing and quality control and then shipped back, for example, to Korea from where the cars are "exported" to the US. These delivery arrangements with the subcontractors are regulated through small Japanese capital holdings or extensive knowhow agreements. The writing is already on the wall — Japanese automobiles of the future will bear Nippon's quality seal but the end product will be a concert of international efforts.

Circumventing restrictions. Japan's corporate *samurais* have employed this method for circumventing restrictions imposed by countries on Japanese cars — they either take recourse to plants in other states or to cooperation partners. The Japanese automobile capacity in the US of 2 million units a year is not meant for that market alone. Some of these cars will probably be supplied to West Europe which will hardly be able to stop Japanese cars manufactured in the US. Furthermore, Japanese companies will be able to offer cars which originate from Korea, Taiwan or even Singapore and Malaysia. This will enable them to save costs and also surmount any trade hurdles in the traditional markets which resist the dumping of Japanese products.

The Japanese electrical industry shares the same fate as the automobile industry and, in fact, is a step ahead of the latter on one score. Major parts of the Japanese domestic market will be supplied with household gadgets which are assembled in Asian countries. As a matter of fact, the Japanese have stopped individual production units run on automation because they have found that East Asian women workers assemble the gadgets much cheaper than Japanese robots. The Japanese industry, despite the oft avowed employment guarantee for its personnel who normally regard employment as a long-term commitment, has effected personnel cuts and this has enabled them to offer competitive prices which, in some cases, are lower than those of the low-wage countries.

The example of the Japanese steel industry which offers prices lower than the Korean steel industry, illustrates the point. A high-wage country like Japan can survive industrially only if it shows a high degree of flexibility in its labour strength. This will also ensure its top position in technology. And Takeshita's frequent recitals during his visit to Germany of the "new Japanese-European era" seem compatible with this strategy of "operating from within." However, it would be naive on the part of the Japanese to assume that the Europeans would not see through such intentions. It is no coincidence that there are deliberations in Brussels to counter the Japanese anti-dumping practices by imposing levies even on those Japanese products which are produced within the EC member states.

Takeshita's pledge that he would attach great importance to the battle against the trade protectionism appeared somewhat ambiguous to the gathering of journalists in Bonn; the Europeans have time and again lamented that Tokyo was not doing enough to open its market to their products. Was Takeshita pledging to open up the Japanese market which was notoriously protectionistic because of the in-built non-tariff obstacles in the import policies? Or was he insinuating that he would launch a fight against possible moves by the EC to impose levies on Japanese goods produced in the EC? The journalists could not figure out. However, the calls of *Auf Wiedersehen* (German for "see you again") by the departing Japanese delegates did have a double connotation extending beyond the protocol niceties exchanged at the time of bidding farewell.

■ *Manik Mehta*

SOVIET UNION

AN EYE TO ASIA

The Soviet Union wants its share of the bounty when the Pacific century rolls around. The Soviets' desire to take what it considers its rightful place as a Pacific nation was signalled by Mikhail Gorbachov's Vladivostok speech of July 1986. The wish was reasserted with the announcement on 25th March that a Soviet national committee for Asian-Pacific economic cooperation had been formed.

It has since been reinforced by the presence of a top Soviet foreign policy adviser at the sixth general meeting of the Pacific Economic Cooperation Conference (PECC) in Osaka on 18-20th May. This followed barely a month after two Soviet bankers attended the Asian Development Bank annual meeting in Manila as observers. Yevgeny Primakov, who attended the PECC conference as a guest, made clear Moscow's serious interest in joining the Pacific grouping and in participating more fully in the region's affairs.

Earlier this year, Primakov, who chairs the Soviet economic cooperation committee, said that until now it had been mainly the Soviet Union's geography that had made it a great Asian power. Its Far Eastern region accounted for a mere 3.3% of total Soviet exports in the mid-eighties. And despite being rich in natural resources, the region had a population smaller than Moscow's. This was in stark contrast to the growth of output and trade of other Pacific countries, including its super-power rival. "Without developing its West, the US would have been unable to achieve the position it holds now in the world," he said.

The long-term plan for Far Eastern economic development, announced last autumn by the State Planning Commission, says little about the role of external economic links. But Primakov and other supporters of economic reform, *perestroika*, believe that the region should be opened up "to broad international cooperation." He also advocates a "relatively autonomous" participation of the Far East in what Soviets call "the international division of labour."

Engine of transformation. The Soviets hope that economic cooperation with Asia will be an engine to transform the structure of their trade. They hope to reduce the share of raw materials in their exports and boost the export of finished products. In 1987, for example, fuel and electricity made up 46.5% of exports, while machines and equipment equalled only 15.5%.

Talk of decentralising trade and giving individual enterprises more freedom is one thing. Actually reorganising and paring down the bureaucracy that handles foreign trade is another

The urgent need for transforming the trade mix has been brought home to policymakers by dropping prices for fuels and raw materials. In 1986, for the first time in many years, the value of foreign trade turnover in rouble terms decreased. Although foreign trade volume increased by 2%, according to Soviet sources, in current prices its value fell by 8%. This demonstration of vulnerability may have forced the pace of change: it was in 1986 that the major decision to restructure foreign trade activities was undertaken.

Moscow has markets for its technology in China and India; in mining, hydroelectric power generation, and metallurgy, for example, and of course it supplies India with military and space technology. But there is now a growing recognition in Moscow that, in the long run, even these markets will be lost without a drastic upgrading of quality and technology.

But translating political will into reality will not be easy. Talk of decentralising trade and giving individual enterprises more freedom to deal directly with foreign concerns is one thing. Actually reorganising and paring down the bureaucracy that handles foreign trade is another.

Since the ministry of foreign trade (MFT) was closed in January, a new ministry of foreign economic relations has been "in formation." The new name reflects the Soviet decision to broaden its economic ties beyond the simple exchange of goods and raw materials to include joint production and joint enterprise agreements.

The new ministry should be completely organised sometime in June, Soviet sources say. However, in the meantime, foreign businessmen are finding that discussing new projects has become more rather than less difficult. The ministry's executive management has not yet been decided, and the new minister, Konstantin Katushev — a leftover from the Brezhnev era — has been ill almost since he was appointed.

Losing power. Some observers worry that the state foreign economic commission, a high-powered body started in 1986 to help streamline trade, will lose its power to the new ministry. One western expert sees the rebirth of the foreign trade ministry in its new guise as a bad portent: it may mean that decentralisation of trade "won't get off the ground," he said. The final form of the new ministry will be one indicator of how the battle for *perestroika* is going.

The short-term prognosis for economic cooperation with Asian countries is guarded. The need for outside input is obvious: the Soviet Union is looking for around 80 billion roubles (Rs. 1,92,000 crores) in capital investment to realise its ambitious development plans for the Soviet Far East. The population of the plan area, which stretches from the east of Lake Baikal to the Pacific, is only 8 million.

To increase the value added of the region's exports will require the reconstruction of its machine-building industry and the re-equipping of metallurgical plants. Foreign partners will be called on to supply capital, technology and labour. The Soviets say that the bulk of investment will come from internal sources, but these apparently have not yet been identified. The rich potential of the Far East is offset by almost prohibitive development costs — labour costs are high and 30% of total investment has had to be earmarked for social infrastructure.

Soviet trade with Asia 1987

(Million Roubles)

	Exports	Imports
Bangladesh	32.3	27.7
India	1,105.4	1,073.1
Pakistan	47.5	67.6
Sri Lanka	3.9	11.9
Vietnam	1,454.5	318.9
Cambodia	112.0	11.2
Laos	78.2	9.4
Singapore	37.2	48.1
Indonesia	11.2	56.6
Malaysia	11.0	104.8
Philippines	11.3	15.8
Thailand	24.0	30.8
China	724.3	750.6
North Korea	800.2	431.9
Japan	972.5	1,628.2
Others*	1,680.0	642.0
Total	7,105.5	5,228.6

**Afghanistan, Burma, Nepal and Mongolia*

Source: Foreign Trade of the USSR

Even the streamlining of Far Eastern trade in its current form poses a challenge. This would require an overhaul of existing ministries. These, one Soviet specialist stated, are firmly entrenched. The three major export industries — timber, fisheries and non-ferrous metals — are controlled by three corresponding ministries, all, until recently, under the control of the MFT. As part of Gorbachov's restructuring drive, these ministries will have their personnel cut — back the ministry of fisheries was expected to announce a 20% staff cut in May. But there are no signs that they will lose their stake in exports.

Primakov's new committee appears to be looking for ways to bring increased flexibility to Asian cooperation. One possibility for cutting back on red tape is to expand the role of Dalintorg, the Far Eastern trade organisation which handles border and coastal trade with China, Japan, North Korea and Vietnam. Dalintorg's share of Soviet-Japan trade is only 5% at the moment, and the border trade with China, though growing, remains comparatively small — around 50 million roubles (Rs. 120 crores) worth in 1987.

Convertibility problem. The non-convertibility of the rouble is another obstacle in the path of the Soviet Union's economic integration into the Pacific region. This is a particular problem when it comes to creating foreign joint ventures. Although convertibility is a long-term aim, it will not be achieved for at least 10 years, probably not before the turn of the century.

The first hurdle, convertibility within the council for mutual economic aid trading bloc — encompassing nine of the Soviet's allied nations — should be passed in a few years, and may be followed by "external convertibility." This would be a formality to help the Soviets meet the conditions of membership in the IMF, according to Brookings Institute economist Ed Hewett. Not until the Soviets complete their price reform in 1991 will it be possible to determine the real purchasing power of the rouble. Full convertibility will not be contemplated until the country has developed a "competitive base of industrial exports," the vice-chairman of the state foreign economic commission, Ivan Ivanov, told US businessmen in April.

What this means for foreign investors, of course, is that hard currency profits from joint ventures are not guaranteed. Moreover, Japanese businessmen have complained that the Soviets tend to overprice their contributions of equipment and other inputs to proposed joint ventures. So far the only joint venture with India is the Delhi Restaurant in Moscow, with a hard currency dining room where credit cards are happily accepted.

The Soviet interest in joint ventures is to boost exports and gain access to new technology. Moscow still insists that a considerable percentage of production be sold abroad. But there are signs that it will be flexible in individual cases and that the rules will evolve. "Probably, local authorities will take steps to create a favourable investment climate," one academic said. "Some bureaucrats understand this need."

■ *Sophie Quinn-Judge*

(By special arrangement with the Far Eastern Economic Review, Hong Kong).

WOMEN'S MAGS

A rash of magazines targeted at women has cropped up in Japan. This has been put down to the fact that Japanese women are breaking the shackles of a male-dominated society. Attitudes towards women have also changed substantially since the introduction of the Equal Opportunity Law in April 1986.

As the editor of *Peach*, a new generation women's magazine, says, "Japanese women don't know what to do with their newly acquired freedom." And helping these women to make up their minds, these new generation magazines offer a wide variety of services. In its latest edition, *Peach* provides a guide to restaurants and various forms of entertainment in Japan. The next edition is reported to carry a feature on Mauritius as a vacation spot. What with the higher spending power of the yen and the dramatic increase in Japanese salaries, even a middle-income family can now afford expensive vacations abroad.

Nikkei Woman's inaugural issue in April sold 220,000 copies. It is aimed at four types of Japanese women: the aggressive climber up the corporate ladder; those on the verge of changing jobs; housewives who want to return to the workplace; and ambitious entrepreneurs. Sign is targeted at the vast community of office-going women. It carries monthly horoscopes, detailed daily schedules and also includes a tear-and-save pouch featuring the photographs, resumés and horoscopes of 30 eligible Japanese men.

Peach
Woman

NORDIC BANKING GROUP

With a view to reducing competition in the international market, two of the biggest banks in Finland and Sweden have agreed to create a new Nordic banking and financial services group. As a result, Kansallis - Osake - Pankki (KOP) of Finland and Gota group of Sweden will operate jointly through a holding company and cooperate in retail, corporate and investment banking as well as in data processing.

This move was prompted by a series of developments in the international banking arena. Recently, there has been a spate of acquisitions and mergers among Spanish, West German, Dutch and Belgian banking institutions. Also there is every chance of the European market integrating by 1992. All these developments have put the Swedish banks at a serious disadvantage in the European financial services market.

KOP and Gota have a complementary international network which should open up wider possibilities for trade financing abroad. They are likely to merge their operations in Hong Kong and Luxembourg. A move is also underway to bring Norwegian and Danish bankers into the group.

NIPPED IN THE BUD

In the battle for the UK beer market — the world's third largest — the leading US contender, Budweiser, seems to be losing out to Foster's from Down Under. Since its entry four years ago into Britain, where pub culture reigns (per capita beer consumption here is 20% higher than in the US) Anheuser-Busch (manufacturer of Bud, short for Budweiser), has managed to get only 1% share of the lager market, whereas Foster's has jumped to a 6% share since its arrival in Britain seven years ago. With its popular "Crocodile Dundee" ads achieving almost cult status, Foster's got into the British lager-drinking culture with the humour of its ads and an unerring eye for pub lifestyle.

Bud
Budweiser

Both Budweiser and Foster's approached this difficult UK market from different strategic and geographic angles and their respective impacts depict the importance of luck, money and some risk-taking — in transferring a successful product to another culture. The Britons, who view Australia as a lager Mecca, were bowled over by Paul Hogan's laconic Aussie humour in Foster's successful ad campaign. According to Michael Delahooke, a director of the British company licensed to brew both Foster's & Bud, "Australians are seen as masculine and heavy drinking, but discriminating, beer consumers." Also, since the Australian beer market is less than one-tenth the size of the US market, Foster's had little choice but to venture abroad. It was thus compelled to make itself flexible in adapting to foreign markets.

SWEETENING OFFERS

The Swiss coffee and confectionery giant Jacobs Suchard has challenged the Nestlé bid for control of Rowntree by launching a hostile cash counter-bid. Suchard's offer at £2.32 billion ($4.3 billion) is higher than Nestlé's original bid of £2.1 billion. Rowntree, however, has rejected the Suchard offer, believing it would be better off independent. It has supported its argument on a forecast of boosted pre-tax profits of £135 million (a 20% increase) higher than the £127 million anticipated by most stockbrokers.

According to stockmarket analysts, the fate of Rowntree will be decided at an auction between the two Swiss companies, which between them already own over 45% of the UK company's shares. Rowntree's share has,in recent weeks, spurted to 1029 p.

JOINT MARKETING IN THE AIR

Alitalia, the Italian state airline, and United Airlines, the largest US carrier, have recently signed a joint marketing agreement. The combined fleet capacity of these two airlines is 484 aircraft and the total workforce is 84,000. Under this agreement, the two airlines will share terminal facilities, coordinate their schedules, sell each other's tickets and offer joint pricing initiatives.

According to Alitalia chairman Umberto Nordio, the agreement is designed to position both airlines better for competition in the US and European markets. The airlines will jointly run package tours to attract passengers.

For Alitalia, the deal opens up 50 new destinations in the US. It will be able to increase its revenue substantially from the 1987 level of $3.4 billion. To pave the way for the deal, Alitalia had last May bought a large percentage of shares of Covia, a Chicago-based company that handles the reservations for United Airlines.

United Airlines, on its part, is hoping to gain an edge over its US rivals at least in the Italian market.

CHEAPER TO IMPORT

When Honda Motor Co. opened its Marysville, Ohio, plant in 1982, it became the first Japanese auto manufacturer to produce cars in the US, as well as the first Japanese auto-maker to drive into the US luxury car market with its extremely successful Accura Legend (priced at $20,000). Honda has now spruced up its popular Accord model with US-made Bose speakers and other luxuries. It now sells the vehicle for $20,800 in Japan compared to $15,000 in the US.

This reverse export strategy is not entirely a public relations effort. Japanese auto industry analysts estimate that with the dollar ruling between 120 to 130 yen, Japanese auto manufacturers will find it cheaper to import cars from US plants than produce them at home. Honda hopes to sell 5,000 of the US-made cars during this fiscal year. Though this is more than all the American cars sold in Japan last year, it can hardly compare with the almost 2.1 million Japanese-made automobiles purchased in the US.

...TO LOOK AT THE QUEEN

More than 21 million tourists are expected to visit mainland Britain this year, an increase of more than 30% over last year's record tourist traffic figures. The boom, which will be aided by the opening of the Channel Tunnel in 1993, may well see tourism revenues doubling to almost £12 billion from £2.3 billion.

In the international league table of tourism earnings, Britain now is fifth only to the US, Spain, Italy and France, thanks to the spurt in tourist traffic over the past decade. The volume of international tourist traffic increased by 4% last year according to the World Tourism Organisation's preliminary estimates. In value terms international tourists spent $150 billion — an increase of 16% over 1986. Britain's share of this international tourist traffic was 4.4%.

BOEING'S 757 SET FOR TAKEOFF

As if to guarantee success, Boeing has received its second large order within two days for its 757 aircraft. The Chicago-based United Airlines will purchase 30 Boeing 757s with options for more. The airliners are powered by PW2000 engines, manufactured by Pratt & Whitney (a subsidiary of United Technologies of the US). United Airlines will finance the massive Boeing purchase — the total value of 60 aircraft, engines and spares is more than $2 billion — partly by selling its McDonnell-Douglas DC-8-71 aircraft which were recently refurbished and equipped with new engines.

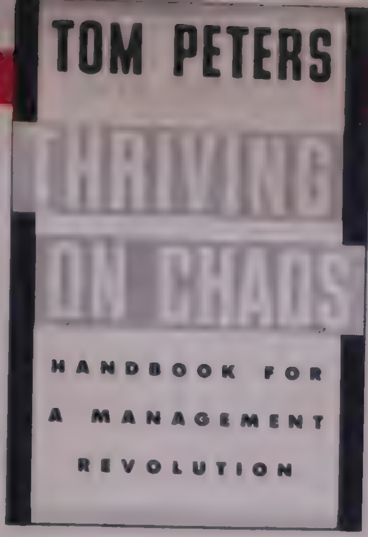
American Airlines too, has ordered 50 Boeing 757s with options for 50 more, all powered by Rolls Royce engines. According to the airline, these engines are the most reliable and efficient. Boeing halted work on its 757 project last summer when it discovered that American Airlines was the only carrier evincing interest in the proposed advanced technology 165-seater jet.

THE CHINESE CONNECTION

China's leading provincial telecommunications authority will purchase 10 million shares in Hong Kong Telecommunications, a subsidiary of Cable & Wireless (UK). This is the first investment in a publicly-listed company by any Peking-controlled utility. Although the HK $65 million (Rs. 11 crores) purchase amounts to just 0.17% of HK Telecom's quoted share capital, the investment has a symbolic value outweighing the amount involved: it is an indication of the increasingly close commercial relationship between Hong Kong's telecommunications group and its counterpart in the neighbouring Pearl River Delta region.

The Guangdong Provincial Posts and Telecommunications Bureau, which purchased the block of shares, has over the past eight years, developed intimate commercial ties with Cable & Wireless, the UK telecommunications group which owns 79% of HK Telecom. Guangdong has become the most sophisticated region in China for telecommunications with a meteoric growth in international telephone traffic between the British territory and mainland China.

CHAOTIC BUSINESS


TOM PETERS
THRIVING ON CHAOS
HANDBOOK FOR A MANAGEMENT REVOLUTION

(Published by Alfred A. Knopf, New York, pp 561, $ 19.95)

What is Tom Peters, the co-author of *In Search of Excellence* and *A Passion for Excellence*, up to these days? Well, he is creating chaos.

Management pundits in the United States have been a bit taken aback at his latest book in which he takes pot-shots at his earlier publications. After enumerating the factors that go to make up an excellent organisation in *Search* and trying to partly explain why they were no longer valid in *Passion*, Peters has come to an interesting conclusion: "There are no excellent companies... If the word 'excellence' is to be applicable in the future; it requires wholesale redefinition. Perhaps: 'Excellent firms do not believe in excellence — only in constant improvement and constant change.' That is, excellent firms of tomorrow will cherish impermanance — and thrive on chaos."

Chaos has, indeed, caught up with both the United States and Peters. The pace of change has accelerated to such an extent that "there is no such thing as a solid, or even substantial, lead over one's competitors... The champ to chump cycles are growing ever shorter."

Excellence, thus, can no longer be measured by static parameters. America is today paying the price for its complacency. The writing on the wall is clear. In 1986, 138 banks failed and later years are set to beat the figure. This has been the highest failure rate since the Great Depression. Since 1980, the *Fortune 500* companies have shed a staggering 2.8 million jobs. And the Japanese are no longer coming; they have already arrived.

Intangible trimmings. Predictability is now a thing of the past. The prices of major currencies, once stable within 1% over decades, now swing 5% a week and 50% a year. Nobody can say today what the price of energy or power will be tomorrow. Competition is creeping in at the drop of a hat, completely changing the complexion of long stable markets. Technology is producing new marketable offspring every hour, outmoding the past, reshaping the future. Consumers too, have become more volatile, demanding and fickle. Mom's apple pie does not hold any charm without new, intangible trimmings.

Aside from many a corporate behemoth and market leader, the victims of the times have been the long-cherished axioms. Big is no longer best, the most efficient and the most innovative. The giants cannot cope with inertia. By the time they respond to change, the smaller upstarts would have run rings around them. And innovation by the big, it seems, has always been a myth. For instance, a study has revealed that Du Pont, a company reputed for a constant stream of new product ideas, acquired most of these from outside the firm rather than from its huge R&D department.

The other casualty of the times has been the traditional concept of labour's role. Mass production, Henry Ford and the Model-T are passé. The specialisation of jobs into narrow skills no longer pays dividends; what is required now is quality and flexibility through broadly skilled labour.

Niche-oriented. All this is reshaping the successful corporation of tomorrow. It has to become niche-oriented, flat, fast, quality-conscious, internationalist, smaller, and gain sharing (adding value through people).

And how is this to be achieved? The author has his 1987 model of *The Peter Prescription*. (The earlier one had been propounded by Lawrence J. Peter to cope with the symptoms of his own principle: in a hierarchy all members rise to their own level of incompetence.)

Actually it is not just one prescription, there are 45 of them sub-divided under five heads: creating total customer responsiveness, pursuing fast-paced innovation, achieving flexibility by empowering people, learning to love change and building systems for a world turned upside down.

Customers, actually, have never had it so good; but, says Peters, they should have it better. It is the Japanese who have changed the scenario. For instance, Tennant Co. had long been producing top quality floor maintenance machines. There were no complaints in the US. When these same machines made their debut in Japan, the company was swamped with complaints of excessive hydraulic leaks. Why? The company discovered that the US customers were used to these leaks and had learnt to live with them. The Japanese were, however, accustomed to more rigid quality standards. They balked at the idea of something not quite up to the

INNOVATION

A few months ago (in 1986), Ford Motor Co. gave up on the EPX, its two-seat sports car. But when the news of the EPX's planned demise reached Ford's Wayne, Michigan, assembly plant, there was a revolution of sorts. Losing an entire model line sent visions of layoffs through the plant. "We hated to lose a whole model. Building another car line gives the plant security," said John Latini, plant manager.

The employees, with a bit of assistance from Latini, went down to the body shop and pirated parts from the other models and put together what they thought was a much better-looking EPX... The plant's version was good enough to be shipped to Ford's design centre, where the pros smoothed out some of the rough edges. The result is the 1986 Escort EPX. During its first three months it posted steadily increasing sales...

mark. Quality, asserts Peters, actually costs less not more.

This apart, companies have to specialise: create niches and differentiate products and services. And it is the intangible which is gradually acquiring more importance. Giving an example, Peters narrates the experience of an executive with speciality retailer Nordstrom.

The executive went to a Nordstrom outlet and bought a suit. It needed alteration, which the retailer promised to complete within a day. When the executive stopped over at the outlet the next day en route to the airport (he was flying to another city), he was told with apologies that the suit was not ready. This was another unfulfilled promise notched up!

Customer revolution. A day later, in distant Dallas, he received a package through Federal Express. There, lo and behold, was his suit along with three $25 silk ties thrown in gratis for the inconvenience caused. The Nordstrom salesman had bothered to ring up his house, find out his itinerary and fork out a mailing fee of $98 to get the suit across to him. That's service with much more than a smile.

The other facets of this focus on the consumer are hastening response time, creating a unique product/service, making manufacturing a marketing weapon, lifting the sales force out of its present status of second class citizenry and, above all, listening to the customer, i.e. finding out what he wants and needs. And when you achieve all this you have launched a customer revolution.

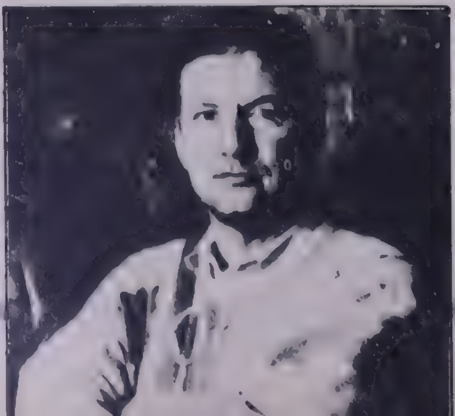
In Peters' scheme of things, profit is not revenue minus cost. The equation is more complicated — "Long-term profit equals revenue from continuously happy customer relationships minus cost." This is why the truly responsive store manager does not equate a disgruntled customer with the $2 appliance he has come to complain about. "That's $50,000 worth of purchases over the next 20 years which is walking out on me," he thinks instead.

The second pillar of Peters' thesis is innovation. It is not enough to respond to consumer complaints fast enough; you must anticipate his needs. Technology unveils marvels every day but most people are too shortsighted to see their implications. "For God's sake, go down to the reception and get rid of a lunatic who's down there. He says he's got a machine for seeing by wireless! Watch him — he may have a razor on him." That was the editor of the *Daily Express* of London refusing to see John Baird, the inventor of television. "Who the hell wants to hear actors talk?" asked Henry Warner, the founder of Warner Bros. Studio, in 1927.

Such instances are legion. This is all the more true when one is considering a large organisation which is normally too inertia-prone to accept new ideas or translate them into marketable products. The Peters solution: think small, start small, set up independent teams in big outfits and allow them to operate as small units, do not think twice about stealing ideas ("creative swiping") but make sure it is only from the best and, above all, support past failures by actively and publicly rewarding mistakes.

Peters' next set of prescriptions relates to people. His two basic premises are: (a) there is no limit to what the average person can accomplish if thoroughly involved, and (b) this power can most effectively be tapped when people are gathered in human-scale groupings — that is, teams, or, more precisely, self-managing teams. "Powerlessness corrupts. Absolute powerlessness corrupts absolutely."

PETERS: CREATING CHAOS



The way out, therefore, is to create a climate that encourages spontaneous initiative-taking. Every employee must belong and, once he thinks he does, he will deliver much more than one would expect him to.

Challenge for leadership. The other two aspects of Peters' theory are, perhaps, an automatic fallout of his earlier prescriptions. The first is the challenge for the leadership. The manager of tomorrow, says Peters, must "love, have a deep affection" for change. He must encourage new ideas and absorb them. Only then can he provide successful leadership in a world turned upside down.

The last section deals with the systems that should be followed in such a world. First, he says, do away with the pounds of numerical data and concentrate on a few broad parameters. Thanks to the small-team approach required by the fast-changing times, information and planning should be decentralised. This in turn demands total integrity, with the caveat that the goals set should be conservative. This ensures that nobody will have to bend the rules to meet his targets. That, in sum, is the message of the book, but it's easier said than done.

According to Peters, there are many who will fall by the wayside in the revolution of tomorrow. Others will thrive **amidst** the chaos — they will cope, succeed in spite of it. The select few will thrive **on** chaos — they will look upon it as the source of market advantage and not a problem to be got around. And these last are the few who are the true inheritors of the mantle of excellence.

■ *Parthasarathi Swami*

CONSUMER RESPONSIVENESS

No item in the improvement process is too small to use in generating and sustaining momentum — or too insignificant for concern. In a programme, insurance firm Paul Revere's Pat Townsend launched in his second year, as part of an effort to keep things lively, names were randomly drawn out of a pot each week; if the person picked happened to be wearing his or her Quality Has Value pin, he or she was awarded a free lunch. Townsend discovered that women were not well represented among the winners. The reason, it turned out, was the pin. Designed by a man, it had a tie tack fastener, which made holes in women's dresses or blouses. When an optional charm design was offered, the participation of the women shot up. On such details are wars won or lost.

MINI & MICRO HYDEL SCHEMES

In the past five years, the Centre and the states have been taking a fresh look at mini and micro hydel schemes. The Central Electricity Authority (CEA) and the department of non-conventional energy sources (DNES) have been assigned key roles in the development of India's mini and micro hydel potential and the Rural Electrification Corporation (REC) has been designated as the nodal agency for financing such power projects.

According to an assessment made by the CEA during the mid-eighties, India's potential for generating electricity from mini, micro and small hydel schemes is in the region of 6,000 Mw, but barely 200 Mw of this has been tapped so far. Projects to tap another 200 Mw are in various stages of planning and implementation and over 2,000 mini and micro hydel schemes have been identified for future development.

The development and installation of mini and micro hydel schemes are by no means cost-effective. In fact the unit cost per Kw of capacity is estimated to be at least 50%-60% higher for mini or micro hydel schemes than for conventional ones. However, the former still offer advantages that offset these costs. One advantage is that the water resources which are currently being wasted can be harnessed. In addition, locally-produced electric power can be supplied to hilly and remote areas where transmission and distribution schemes can be uneconomical.

In view of the growing need for equipment for mini and micro hydel schemes, several companies have been gearing themselves up to meet the supply requirements. Apart from Bharat Heavy Electricals Ltd. (Bhel) and Jyoti Ltd., which have so far been supplying equipment for mini and micro schemes, a number of new manufacturers have emerged on the scene, specially for supply of suitable hydro turbines. Boving Fouress, Larsen & Toubro, Punjab Power Generating Machines Ltd. (a venture of Crompton Greaves), Beacon Neyrpic and Flovel have either commenced the production of hydro turbines or are poised to do so.

Barely 200 Mw of India's potential electricity-generating capacity of 6,000 Mw from mini, micro and small schemes has been tapped so far

Several states have already taken steps to implement such schemes. This article throws light on schemes where the capacity of generating units is less than 2000 Kw.

Himachal Pradesh completed its 4 X 500 Kw Rontong scheme during 1987 at a cost of Rs. 13.94 crores. The state is now in the process of implementing a 3 X 1.5 Mw Thirot scheme in Lahul-Spiti district. Estimated to cost Rs. 16.52 crores, the project is scheduled for completion by 1990.

Jammu & Kashmir is in the process of undertaking the construction of several mini and micro hydel units. Among them are:

□ The 2 X 1 Mw Karnah scheme, which is being set up at a cost of Rs. 10.17 crores. Bhel will be installing horizontal Francis turbines with synchronous generators for this project.

□ The Rs. 23 crore, Stakna scheme in Ladakh to set up two units of 2 Mw each. The equipment for the scheme, which has been partially commissioned is being supplied by Bhel.

□ The 2 X 2 Mw Kargil scheme.

□ The 2 X 1.5 Mw Pahalgam project, which is still in the planning stage.

Punjab has commissioned the 2 X 500 Kw Nidampur scheme while two others, the 2 X 395 Kw Thuhi and 2 X 395 Kw Rohti micro hydel projects, are scheduled for completion during the current year. In addition, the 3 X 525 Kw Daudhar and 5 X 600 Kw Dhaliwal micro schemes are in the process of being installed.

Rajasthan has taken active steps to harness its canal water resources to produce electricity from micro and mini schemes. The schemes that are being taken up for construction include:

□ The 1 X 2 Mw Charanwala scheme in Bikaner district at a cost of Rs. 3 crores.

□ The 3 X 2 Mw Mangrol project in Kota district at an estimated cost of Rs. 6.1 crores

□ The 2 X 2 Mw Suratgarh project in Sriganganagar district at a cost of Rs. 5.27 crores.

□ The 6 X 1.5 Mw Anoopgarh canal project in Sriganganagar district at a cost of Rs. 14.6 crores.

□ The 2.1 Mw Pugal scheme in Bikaner district which envisages the installation of two separate units of 1.5 Mw and 0.6 Mw.

All these schemes are expected to be fully operational by the early nineties.

Uttar Pradesh is attempting to harness its mini and micro hydel resources through two separate specially constituted agencies, the Non-Conventional Energy Development Agency and the UP Micro & Mini Hydroelectric Corporation Ltd.

The Non-Conventional Energy Development Agency is implementing the 1 X 50 Kw Ghagria micro scheme in Chamoli district and the 1 X 100 Kw Ramgad micro scheme in Nainital district. On the other hand, the UP Micro & Mini Hydroelectric Corporation is implementing the 2 X 1.5 Mw Babail scheme in Saharanpur district.

Gujarat is undertaking the following schemes:

□ Three mini-hydel schemes — at Damanganga, the Dharoi river bed and the Dharoi right bank canal — are proposed to be set up at a total cost of Rs. 11 crores. The project has received techno-economic clearance from the CEA but awaits investment approval.

□ The Rs. 1,8 crore, 2 Mw micro hydel project across the Panam canal in central Gujarat is likely to be financed by a Swedish agency. It has been cleared by the CEA.

□ The Rs. 5.76 crore 3 Mw Karjan mini hydel project, for which Central government approval is awaited.

Madhya Pradesh is implementing the following projects:

□ The Morand micro hydel project, under which two units of 500 Kw each are proposed to be installed.

□ The Rs. 10 crore Lorea micro hydel project (2 X 400 Kw).

Maharashtra is implementing various mini/micro hydel projects. These include:

□ The Rs. 2.07 crore, 1.5 Mw Vaitarna dam hydel project across the river Vaitarna in Nasik district. The scheme is likely to be commissioned during the second half of 1988.

□ The Rs. 3 crore, 2 Mw Dhom hydel project envisaging the installation of two units of 1 Mw each across the river Krishna in Satara district.

Andhra Pradesh is implementing the following mini hydel projects:

□ The Addanki branch canal scheme which will have two units of 1 Mw each installed at Rs. 4.10 crores.

□ The Kakatiya canal mini hydel scheme of 1.5 Mw capacity, which has been planned to come up near Peddapalli in Karimnagar district. The project is being executed on a turnkey basis by Bhel.

The government of Karnataka has reportedly entrusted the task of implementing a number of mini and micro schemes to the private sector. These include the 1 X 1 Mw Sirvar mini hydel scheme, the 1 X 0.35 Mw Ganeklal and 1 X 0.4 Mw Kalmala projects on the Tungabhadra's left bank canal, and the 1 X 1.5 Mw Maddur branch canal.

Tamil Nadu is also implementing mini hydel projects.

□ The Rs. 9.35 crore 6 Mw Vaigai mini hydel project envisages the installation of two units of 3 Mw each in Madurai district. The project is expected to become operational by end 1988.

□ The Pykara mini hydel scheme envisages the installation of generating units at the toe of the existing Pykara Dam. The project is estimated to cost Rs. 4.31 crores.

The north-eastern states are also going ahead with such projects. The Sikkim government commissioned the Rs. 1.7 crore Rimbi micro hydel project last year. Two micro hydel units of 500 Kw each have been installed. Work on the Ronginchu micro hydel project stage II, involving five micro hydel units of 500 Kw each, has also begun.

Manipur is setting up several schemes.

□ The 0.6 Mw Kaithalmanbi project, which is scheduled to go on stream during 1988.

□ The Gelnel project of 0.4 Mw capacity, which involves the installation of two micro hydel units of 200 Kw each.

□ The 1 Mw Booning hydel project envisaging the installation of two 500 Kw units each.

Nagaland is constructing the 1 Mw Dikhu micro scheme. The project involves the installation of two hydel sets, one of 250 Kw and the other of 750 Kw. The scheme is in the final stages of construction.

Arunachal Pradesh has proposed to take up the construction of the 3 X 500 Kw Seissa hydel project. Work on the project is expected to begin this year.

■ *P.V. Satyanarayana*

The author is a Bombay-based management consultant.

From
WILEY

TECHNOLOGY ABSORPTION IN INDIAN INDUSTRY

Editor
Ashok V. Desai

This unique book brings together the views of both companies abroad that have sold technology and firms in India that have bought it. It reports on what foreign companies think of the Indian market for technology, of Indian firms' practices and of India's policies, it also reports on how Indian companies decide on the import of technology and how far they benefit from it. In this book: Ashok Desai shows how India's industrial structure differs from the structure in industrial countries, and how the proliferation of small firms leads to a fragmentation of the Indian demand for technology and cuts down the benefits of technology imports. Martin Bell and Don Scott-Kemmis wonder whether a commercial and shortsighted approach to technology imports leads Indian firms to miss opportunities of growth and exports. Charles Cooper finds that multinational corporations are happier with their experience than smaller exporters of technology to India and asks whether Indian policies and procedures favour big firms against small and reduce technology supply to India. Charles Edquist and Staffan Jacobsson show how South Korean producers of excavators and machining centres, starting from a lower base and sometimes importing technology from the same firms as their Indian counterparts, built up production faster, achieved economies of scale, lowered costs of production and developed exports. Ghayur Alam follows, Indian firms in their search for technology abroad, and shows how they take decisions within the constraints of the market and policy.

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Without peer in the savings firmament Investment that yields

BY A SPECIAL REPRESENTATIVE

Which company is India's largest non-banking savings company with over 20 million certificate-holders under its various social welfare schemes? Which savings company has invested almost 90% of its total investment i.e. Rs 725 crores, in the nationalised banks to help realise national priorities? In fact, it puts every paisa of the certificate-holders' fund in government custody, fixed deposits and GP notes in nationalised banks to cover certificate-holders' liability.

Which company has created self-employment for over lakhs of persons without outside held? Which investment company has gone out of its way to introduce and nurture the savings habit in men and women of small means in remote rural areas not served by banks or post offices, places where there are no convenient but secure means of saving?

Mr P. C. Sen, Managing Director

Mr. A.P. Mukherjee, Chief Executive (Development)

Founder: The late Radhashyam Roy

Which savings company is a pioneer in manifold ways: the first non-banking savings company to introduce a savings scheme, as far back as in 1956, on strict actuarial principles; the first to combine the benefits of group personal accident insurance with those of savings plans; the first to help lakhs of unemployed by introducing a field career structure offering substantial commission income and an automatic promotion scheme and the first non-banking savings company to offer schemes without any provision of forfeiture?

The answer to all these and a host of other questions is The Peerless General Finance and Investment Company Limited which is without peer in its field or, as Shakespeare's Caesar would have said, without a "fellow in the firmament". But by acknowledging that, one does not exhaust all that there is to be said about Peerless. Far from it. Let us then recount the Peerless story. And to do so, let us begin at the beginning.

The late B.K. Roy

The year was 1932. It was still the heyday of the Raj and British insurance companies ruled the roost. Mr Radhashyam Roy, a high school teacher, was an agent of one such insurance company. Imbued with nationalist ideals, he wondered why there could not be a swadeshi insurance company that would stop the flow of Indian funds to English coffers. And so, like many others, he dreamt of owning a company, an insurance company, of his own. But unlike many others, he was not a mere dreamer. He was a man of action. And he was a born leader. He inspired some of his friends to join hands with him to launch a fully Indian venture.

Thus was launched the Peerless Insurance Company Limited, at Narayangunge in the Dhaka district of East Bengal. The paid-up capital of the new company was a paltry Rs 300. The labour and enterprise of Mr Radhashyam Roy and some of his associates including Mr K.K. Chatterjee, and the nationalism they inspired in their countrymen soon paid dividends. In a matter of years, it became one of the leading provident insurance companies in India. Meanwhile, the farsighted founder had also branched off into the field of life insurance.

Then came partition, bringing upheaval in its wake. The registered office of the company had to be moved to Calcutta. But there was no let-up in the expansion of business. Until the next watershed in the company's glorious history. That came in 1956, when all life insurance business was nationalised. The Peerless Insurance Company Limited and its sister concern, The Peerless Life Assurance Company Limited, were taken over by the government along with a host of other companies in the life insurance business.

A lesser man would have been shattered, having his life's work taken away from him. But not Mr Radhashyam Roy. He was made of sterner stuff.

Mr. S. Banerjee, Chief Executive (Headquarters)

Mr. S K. Dutta, Chief Executive (Regions)

Unfazed, undaunted and undeterred by the setback, he devised and introduced a novel way of saving in the country and, through it, a new line of business and a new company. The Peerless General Insurance and Investment Company was born and Mr Radhashyam Roy is credited with pioneering the ideal of encouraging people to save in a recurring fashion—a mode of saving that is so popular today in banks and post offices. Unfortunately, Mr Radhashyam Roy did not live much longer. But fortunately for the company, he had groomed a successor who could steer its destiny with matching, if not greater, brilliance. The new leader was Mr B.K. Roy, Mr Radhashyam Roy's eldest son. The company saw unprecedented expansion of business during Mr B.K. Roy's stewardship which lasted till 1985, the year of his death. The company is now managed by a team of pofessional managers. The board of directors of the company comprises Mr S.K. Roy the younger brother of the late Mr B.K. Roy, Mr A.K. Chatterjee, Mr N.K. Bose, Mr T.K. Ghosh, Mr A.K. Poddar, and Mr S.G. Bose Mullick with Mr P.C. Sen as managing director.

What exactly is the Peerless way of saving ?

No sooner was life insurance business nationalised in 1956 than Mr Radhashyam Roy introduced a novel way of saving for men and women of small means. He called it the Social Welfare Scheme. This savings plan requires the subscriber to enter into a contract with the company to pay a certain subscription every quarter, half-year, or a year, for a certain number of years. At the end of this pre-determined period, the company pays the subscriber a certain sum of money called the endowment sum, and a guaranteed bonus. Together, the endowment sum and the bonus are more than the amount paid by the subscriber by way of subscriptions. This excess amount is the profit that the subscriber earns.

There are provisions for loan, surrender and automatic paid-up and also for revival of lapsed certificates under special revival scheme without the payment of arrear subscriptions. Should the certificate-holder die at any time after six months of subscribing to a scheme, his nominee can get a full refund of all paid subscriptions or continue the certificate till maturity After subscriptions have been paid for two years, a certificate automatically becomes paid-up. And if subscriptions are paid for seven years, the certificate-holder can withdraw the entire amount deposited, without any deduction.

The scientific nature of the scheme, coupled with the no medical examination provision and of course, the untiring efforts of the Peerless team, account for its tremendous popularity with the masses.

In keeping with its tradition of honouring its commitment to certificate-holders and understanding their difficulties, on December 1, 1987, Peerless announced a special scheme for holders of old and lapsed certificates. This new special revival scheme is meant for the revival of old and lapsed certificates that matured between January 1, 1980 and November 30, 1987. A holder of an old and lapsed certificate wishing to revive it can do so now by resuming the payment of instalments under a revised date of maturity.

There are other ways as well by which Peerless promotes the revival of lapsed certificates. For instance, from time to time, it declares a waiver of interest on payment of arrear subscriptions, by way of an incentive to certificate holders.

To increase efficiency and thus help certificate-holders, Peerless has not only introduced professional management at all levels but has also taken a major step forward by decentralising operations in February, 1987. The company now has four regional offices in Calcutta, Delhi, Bombay and Madras. These regional offices have been empowered to render on-the-spot service to certificate-holders without having to refer to the head office in Calcutta. Issue of certificates and settlement of maturity claims are both undertaken by the branch offices without reference to the head office. It needs hardly be mentioned that this has meant an enormous saving by way of time to certificate-holders and, of course, expense to the company.

It is the combined efforts of the company and the field workers which has brought Peerless to its present state of glory. To further galvanise the field workers, the management signed a historic agreement with the three field associations on July 29, 1987, giving new directions for developing business. A settlement of the charter of demands submitted by the unions namely the Peerless Employee's Union (affiliated to C.I.T.U. and the Peerless Karmachari Samiti (affiliated to I.N.T.U.C) has been arrived at on May 20, 1988.

THE ADVENT OF PROFESSIONAL MANAGEMENT

The advent of Professional Management constitutes a landmark in the history of Peerless. With a view to strengthening the nerves and sinews of the Company's administration, Mr. P. C. Sen, an intrepid and dynamic leader, took over as Managing Director about 2 years back. Thereafter came a host of eminent professionals like Mr. S. Banerjee, Chief Executive, Head Quarters, Mr. A. P. Mukherji, Chief Executive, Development, Mr. S. K. Dutta, Chief Executive, Regions, Mr. Salil Dutta, General Manager, Personnel & Administration and Mr. D. Ghose, General Manager, Investments.

With a commendable track record of success in the corporate firmament, Mr. P. C. Sen along with this dynamic Professional Management Team is busy in streamlining the systems and gearing up the administrative machineries in all directions. The objective is to render prompt and better service to the Certificate Holders and the Field force.

To ensure that the Certificate Holders get "service at the doorstep" many Branch Offices have been opened in many far-flung areas throughout the length and breadth of the Country and many small offices have been upgraded to Branch status. At present more than 80 offices of Peerless are operating throughout the country. During the period from 1987 till now 13 Organisation Offices of the Company have been upgraded to Branch status. Moreover, 7 new Branch Offices have been opened in different parts of the country during this period, the latest being a computer-based one at Jammu on May 30, 1988.

Mr P. C. Sen further decided to decentralise operations and it has started yielding better results. What deserves to be specifically mentioned in this context is that the Professional Management team under the able leadership of Mr. P.C. Sen has taken it as a mission to stabilise this vast Organisation both in the interest of its lakhs of field workers and in the larger interest of its over 20 million Certificate Holders.

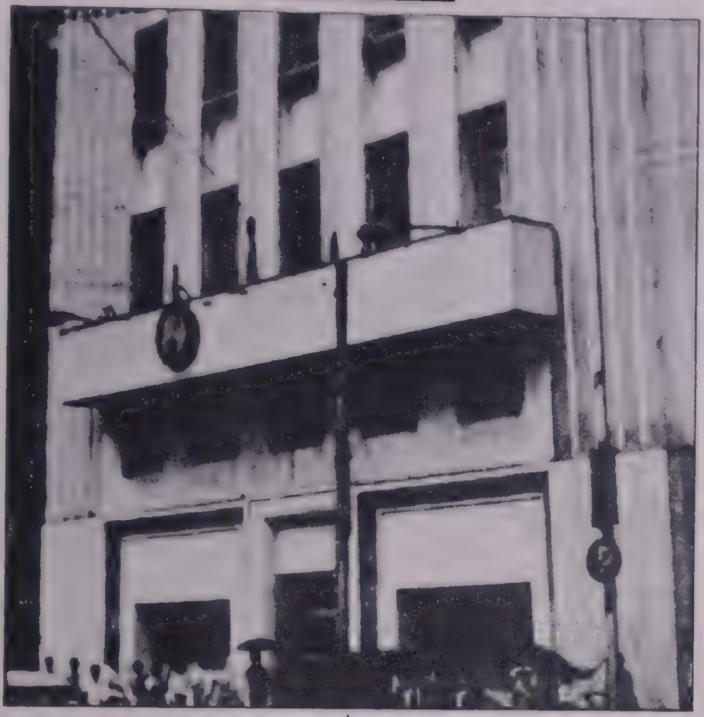
Fostering small savings Saving it up for a rainy day

BY A SPECIAL REPRESENTATIVE

Peerless, number one among private savings companies in the country, has been going from strength to strength ever since the Supreme Court of India unequivocally declared that the business conducted by it is 100 per cent legal. This judgement was delivered by the Supreme Court on January 22, 1987. The court which is the final arbiter of the legality or any undertaking in the country, held that the business of the company did not come under the purview of the Prize Chits and the Money Circulation Schemes (Banning) Act, 1978.

Peerless fulfils a definite social purpose. The savings plans of the company are precisely what they are called i.e., social welfare schemes. Lakhs of Peerless agents who work in the villages and small towns of the country convince the people of the need to save and provide them with a safe means of doing so. What is more, they promote savings on a regular and compulsory basis. Small savings is a national priority in our developing economy. They help check inflation and provide funds of growth. If that be so, it makes no sense to penalise a company whose business it is to promote savings along scientific lines.

And if Peerless offers a rate of interest which is only a little less than that offered by certain ventures in the market, it is only because it refuses to adopt the apparently lucrative but highly risky course of speculating with the hard-earned money of the certificate-holders.



The truth is that Peerless had started putting certificate-holder's funds in government custody long before the Reserve Bank issued directives to this effect. By framing the relevant directions the Reserve Bank only formalised what Peerless was already doing. Peerless now scrupulously follows the residuary non-banking companies (Reserve Bank) directions, 1987, in this regard. These stipulate that certificate holders' funds be invested according to the following pattern: (a) Not less than 10 per cent shall be in fixed deposits with any of the public sector banks.

(b) Not less than 70 per cent shall be in approved securities.

(c) Not more than 20 per cent or ten times the net owned funds of the company, whichever amount is less, shall be in other investments, provided that such investments shall be with the approval of the board of directors of the company.

To provide special facility to the Certificate Holders there is a Customer Service Centre at the Head Office of Peerless.

As a mark of the company's constant efforts to render better service to the Certificate Holders, this Peerless Customer Service Centre is functioning on Saturdays also between 10 a.m. and 4 p.m.

Peerless invests every paisa of certificate-holders' funds in accordance with these directives.

It is pertinent to point out that the investments by way of inter-corporate loans are always within the financial parameter of the RBI directions. A list of companies where Peerless invested its fund has already been submitted to RBI from time to time. As such, there is no room for any confusion, whatsoever Thus, certificate-holders' fund has been kept in government custody in the shape of investments in fixed deposits with nationalised banks, G.P. notes, public sector bonds and debentures; units of Unit Trust and in intercorporate loans. Nearly 90 per cent of the company's total assets are invested in the government sector. Amounts in excess of the company's contractual liabilities to certificate-holders are kept in the United Bank under lien. Peerless cannot withdraw from this fund without the consent of the United Bank and that too for payment to certificate-holders.

Let the United Bank speak for itself: "Liabilities to the extent of Rs 592.81 crore of the Peerless General Finance and Investment Company Limited under the social welfare scheme of the company, as on 31st December, 1986, as per published balance sheet, are covered by the fixed deposit receipts and government securities deposited with the bank. These fixed deposit receipts and government securities cannot be withdrawn without the consent of United Bank of India

As for the forfeiture clause, it did not take anybody to persuade Peerless to drop it. Peerless did it on its own, unilaterally and without prompting, November 3, 1986—almost three months before the Supreme Court expressed the need for doing so and more than six months before the Reserve Bank issued directives to this effect. All certificates sold on or after 3rd Nov '86, are free from forfeiture clause. The guarantee that there will be no forfeiture of certificate-holders' funds is a unique facility not offered by any other company operating in this field before Peerless could do so. Even if a single quarterly instalment has been paid, the sum will be returned with interest at the end of seven years.

In full compliance with the latest directions of the Reserve Bank, Peerless has been surging ahead in its quest for new business. New tables with higher returns and no-forfeiture clause have been introduced. Mention must be made in this connexion of two attractive 10-year savings schemes under tables 10 and 11 that were introduced on August 1, 1987.

On February 15, 1988, Peerless came up with yet another 10 year savings scheme that provides the maximum return with security to certificate-holders. This is the Peerless Pragati Patra. The unique features of this brand-new scheme are as under: (i) Triple return on lumpsum investment of a minimum of Rs 2,000 and multiples of Rs 1,000, (ii) Return of over 11.5 per cent compound per annum on maturity, (iii) Loan facilities, (iv) Accidental Death benefit and (v) Mediclaim—hospitalisation/domiciliary hospitalisation (including maternity)—facility for investments of Rs 20,000 and above in a single case.

THE PEERLESS GENERAL FINANCE & INVESTMENT CO. LTD.

Regd Office : Peerless Bhavan,
3, Esplanade East, Calcutta : 700 069.

Particulars of the Company, as prescribed under the rules.

1. Date of Incorporation 25.10.1932
2. Management : (as on 1-4-1988)

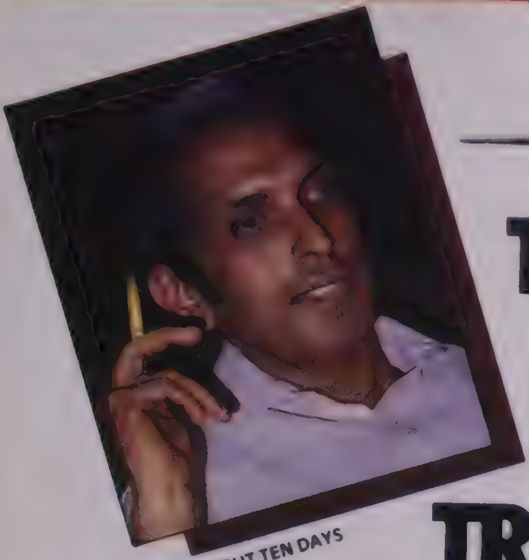
	Name	Address	Occupation
Board of Directors :	1. Mr. Prasanta Chandra Sen	P-78 Lake Road Flat No. 6 Calcutta: 700 029	Business Executive
	2. Mr. Sunil Kanti Roy	91/1 Southern Avenue Calcutta: 700 029	Company Director
	3. Mr. Asis Kusum Chatterjee	South Station Road P.O. Agarpara Dist. 24 Parganas West Bengal	Business Executive
	4. Mr. Niladri Kumar Bose	11 Swinhoe Street Calcutta: 700 019	Management Consultant
	5. Mr. Tuhin Kanti Ghosh	2 Rowland Road Calcutta: 700 020	Executive Editor
	6. Mr. Arun Kumar Poddar	2, Gurusaday Road Calcutta: 700 019	Industrialist.
	7. Mr. S.G. Bose Mullick	A 7/4 Vasant Vihar New Delhi: 110 057	Retired I.A.S.

3. Nature of Business : The Company is mobilising Small savings by sale of Endowment Certificates under its Social Welfare Schemes.

4. Profit of the Company :	1984	1985	1986
a) Before Tax	Rs. 4,76,25,595/-	Rs. 4,03,46,149/-	Rs. 3,92,26,860/-
b) After Tax	Rs. 1,21,25,595/-	Rs. 1,38,48,149/-	Rs. 70,65,918/-
5. Dividend Declared	(a) Equity Share nil	10%	25%

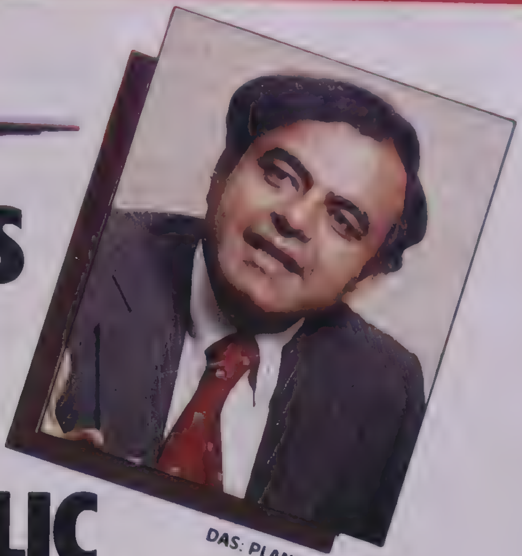
6. Particulars as per Balance Sheets for the years ended on 1985 & 1986.

LIABILITIES	1985	1986	ASSETS	1985	1986
Share Capital	36,82,228/-	36,80,600/-	Fixed Assets	12,37,15,390/-	12,36,91,562/-
Reserve & Surplus	7,70,13,967/-	8,28,01,554/-	Investments	679,51,39,634/-	717,90,61,981/-
Deposit Liability (Secured Loans)	574,06,58,236/-	592,80,62,850/-	Current Assets Loan & Advances	60,77,02,588/-	88,92,06,610/-
Current Liabilities & Provision	170,52,03,181/-	217,74,15,149/-			
	752,65,57,612/-	819,19,60,153/-		752,65,57,612/-	819,19,60,153/-



KURIEN: OUT TEN DAYS A MONTH

TRAVAILS OF THE TRAVELHOLIC



DAS: PLANE WRITER

In a fast moving world they are moving faster than most.On a tour of one-night stands with scarce a suitcase in hand, the jetset executive of today is constantly in Brownian movement — a mad scramble to amass as many miles and mileage in terms of peer group recognition as possible. The workaholic has appeared in a new incarnation — the travelholic.

For many it is a must — at least, they say so. "I don't really like to travel," says managing director of Swede (India) Teltronics Ltd.,K.C. Rajaram who spends practically half the year away from home. "But professionally there is no escape from travel. People insist on meeting the top man."

"The kind of joint decisions I like to take, need me to be there," echoes Biji Kurien, the chief executive of Berger Paints. Kurien spends 10 days every month flitting rom place to place and does not feel there is any way he can cut down on ravel time.

"The kind of hard selling ve have to do can never be ccomplished over the elephone," adds Gautam Dasgupta, regional manager of Travel House. "You have to be there physically to win friends and influence people."

EGO TRIP

But there is another side to the coin. "For many of the chief executive officers (CEOs) living continuously on the move is like an ego trip," says Nargis Wadia, managing director of Interpub (an advertising agency). "Many a time it is a self-created activity to give yourself more importance. If, by ill-luck, the CEO has to be in the city for more than a month at a time, he feels deflated."

There may be some truth in that. Come summer, boardrooms in Bombay empty out. Everybody is headed for Gay Paree or sunny California. The real high-fliers are difficult to meet. Telephone calls inform you that they are in Honolulu or Holland. Even those who have willy-nilly to remain, are touring the country. The reasons for travelling apart, the facts are undeniable. Every day, early morning convoys ferry scores of executives to the airport. "Business executives account for more than 60% of the occupancy on Indian Airlines morning flights," says a travel agency representative.

WADIA: "LIVING ON THE MOVE... AN EGO TRIP"

"About 75% of the executives are away from their stations eight to ten days in a month," opines eminent physiologist R.H. Dastur. And two top travel agencies — Thomas Cook and Travel House — confirm that 80% of their business comes from corporate clients.

It is a sign of the times. In the past decade, the growth of Indian business has been phenomenal. Earlier, Bombay ruled the roast as the main business centre. Now other cities, such as Bangalore, are coming into their own. Thanks also to the government's policy of encouraging industrialisation in backward areas, factories are springing up in forgotten nooks and corners of the country. The CEO of today has a lot more geographical areas to keep tabs on.

There has been, of course, some attempt at delegation of decision-making. "Our branches are relatively independent," says Ramesh Banatwala, president of Warner Hindustan. "But the CEO

THE TRAVEL-BUGGED

JAYSHREE THIAGARAJAN WITH HUBBY AND KIDS

"Gautam is never around on birthdays or other important days," says Zarine, the helpmate of Travel House's Gautam Dasgupta. "He is always in Madras. I suspect that he's probably got a girlfriend tucked away there."

That's a joke, but it is true that wives of the jetset club have a lot to complain about. But most of them have learnt to live with it. "Of course, my husband's frequent travel affects family life," says Jayshree Thiagarajan, whose husband is the managing director of Asea Ltd. "There are times when the children don't see him for days. No wife would like her husband to be away. It's not easy. But I have come to accept it."

Inevitably, there are sacrifices and adjustments. Zarine and Gautam, for instance, felt that they did not have enough time to do justice to their son's education at home. So the nine-year-old Awrup was packed off to boarding school (Zarine, incidentally, works as confidential secretary to the managing director of FGP Ltd.)

Difficult times. Madhura Bhat, wife of K. Narayana Bhat of Namasthe Leather, has herself contributed to her family's travails. "I hate travel. But I myself used to travel a lot abroad on business. A decade ago I was out of the country about 10 times a year. Earlier, when both of us were out, the children (three sons) must have found it difficult."

For others, having husbands jetting around has not made much difference. But the reason is poignant. Says the wife of K.C. Rajaram of Swede (India): "He spends so much time at his office in Bangalore that it does not make too much of a difference whether he is in town or out travelling. Even when he is in Bangalore, he is out of home most of the time. Still, when he goes out of town we all miss him." "We have got used to it," adds Rajaram's 17-year-old son Sandeep. "Initially, it affected us. Now we realise it is necessary. We have adapted ourselves to it." Besides, executives do try and organise their schedules to spend the weekends with their families.

SWEDE (INDIA)'S RAJARAM WITH FAMILY

FROM TOP TO BOTTOM:
ZARINE DASGUPTA,
MADHURA BHAT, INDU SEN

Adaptation and adjustment: that's the name of the game. "I suppose there is no alternative to accepting this (frequent travel) and adjusting accordingly," reflects the wife of Biji Kurien of Berger Paints.

Peace of mind is perhaps dependant on how successful the adjustment process has been. Indu Sen, wife of Hindustan Lever's Shunu Sen, has plunged herself into social work. "My social work more than fills the void," she says.

But for many others the void looms large in their lives. Add to this the burden of having to single-handedly take care of the children, it is small wonder that an absentee husband is nothing to be proud of. He is a necessary evil and wives have learnt to live with the situation.

RAJARAM: NO ESCAPE FROM TRAVEL

must ensure that they remain within the stipulated company norms." So travel the CEO must.

TRAVEL PROBLEMS

But he does not like it. Not anymore. "Ten years back it was good fun," says Arun K. Thiagarajan, managing director of the Bangalore-based Asea Ltd. "I don't stay long enough in any place to enjoy it." Thiagarajan is out about 140 days a year, 30 of them abroad.

Nor is the five-star luxury and attendant trimmings much compensation. "I relish the familiarity of my own home," says Siddharta ('Shunu') Sen, vice-president of Hindustan Lever Ltd. "To sit in my favourite armchair and have my Jeeves bring me a cup of tea is definitely a greater pleasure. Five-star hotel life can never thrill me."

The much-touted uisine is not regarded as nything too hot either. The earlier excitement of ndulging in exotic fare oon disappears. Food, in ll the hotels, tastes ractically the same," says Dasgupta of Travel House. If you've had one, you've had them all.

So where does that leave the business traveller? With problems. Problems galore. Marital stress is part of the price he has to pay for his wanderlust. Divorce, the standard solution in the West, is still not a part of the Indian ethos. But a happy home is certainly not the jetsetting executive's lot (see box). "Even after 20 years of marriage, I haven't got used to my husband's absences from home. It still upsets everybody," says the wife of Berger Paints' Kurien.

Domestic discontent is only one aspect — more of the moment is the actual physical toll travelling takes. "The globe-trotting, cocktail-sipping,high-powered executive of today will become a member of the 'gout club' at a much younger age," says physiologist Dastur.

According to his studies, 50% of a sample of 1,698 executives he examined suffered from emotional strain and anxiety; 40% were overweight; 20% suffered from high blood pressure; and 10% were facing sexual problems such as premature ejaculation and impotency. Is the picture of the high-flying executive as a modern day sailor with a mistress in every port getting a bit blurred at the edges?

Dastur, the author of *Are you killing yourself Mr. Executive?* puts down travelling as one of the major causes for such health problems. His suggestion: "Exercise is the best antidote against emotional tension." Many are taking the advice. "I take my swimming trunks along when I travel to Bombay or Delhi," says Rajaram of Swede (India). "I spend half-an-hour in the pool. Abroad, where I don't have the time for swimming, I do a bit of stretching and bending in my hotel room." Says Kurien of Berger Paints: "The only way is to learn how to relax." His solution has been yoga.

BREAK NEEDED

Gurcharan Das, CEO of Proctor & Gamble (India), has found another way out. During his regular visits to the P&G headquarters in Cincinnati, he takes a break in London to meet friends and go on "those long walks in the lush green English countryside."

Das probably needs the break. Between May 1987 and May 1988, he made nine trips abroad logging over 1,10,000 miles. That is nearly five times around the world, compared to which his 10 domestic trips look dismal at a mere 19,000 miles.

Das has been using his long hours in the air to good effect — he has managed to write a full novel during his travels. "I could never find enough time in Bombay to concentrate on my creative endeavours," says he.

BANATWALA: TRAVEL IS CONSTRAINING

FROM TOP TO BOTTOM:
SIDDHARTA SEN
R.H. DASTUR
K. NARAYANA BHAT

Sometimes, the pressures do tell. When *BusinessWorld* met Das, he was recovering from a bout of flu. His wife, who sometimes accompanies him on his trips, has found a more homegrown way of coping with jet-lag. "She simply slips a brown paper in her shoes and never feels the jet-lag," explains Das. "Don't ask me how or why."

Another CEO who found the pace too hectic and has now opted for a more sedentary life is Ramesh Banatwala of Warner

THIAGARAJAN: "TRAVEL LACKS FUN NOW"

Hindustan. During his stint as president (South East Asia) of Warner Lambert, he certainly had his fill. "Out of my four years' stay at Hong Kong, you can safely say that three of them were spent travelling from country to country." Once he even had to desert his sick wife in Hong Kong because of pressures of work elsewhere.

And that is the common chorus of all the executives. Try as they might, there is never enough time to fulfil family responsibilities. In the long run it is a negative sum game.

NO BENEFITS

Initially, it can be very heady: air travel, like marijuana, can send you on a new high. Then comes the inevitable descent. "You see new places. You pack business with fun," says Banatwala. "But after a year or two, you feel constrained. Travelling takes on a monotonous pattern — the same airports, the same people, the same hotels... And then you want to give it all up."

Some people just can't. "Even the five to six trips I make abroad each year are not enough," says K. Narayana Bhat, chairman of Namasthe Leather Garments Pvt. Ltd., India's largest manufacturer-exporter of leather garments. "The nature of the garments trade is such, you have to keep in touch. It's a buyers' market out there." Bhat, incidentally, is out more than 100 days in the year.

Given all these problems is there anything to be said for business travel? Of course, it is necessary, but is there any beneficial fallout? "None," says Bhat.

"Though I have been to West Germany umpteen times, I have not seen much of the country."

Others see a faint silver lining. Rajaram of Swede (India) expresses the general view: "Well, you get to meet a lot of business people. Travel widens your horizons. You learn and keep learning."

But the jetset executive is learning the hard way. He is a sitting duck for anything from hernia to heart attacks. This is one race which does not go to the fastest.

■ *Maya Rai Choudhuri*

With reports from Sujoy Gupta in Calcutta and N. Raghavan in Bangalore.

> *The kind of hard selling we have to do can never be accomplished over the telephone. You have to be there to win friends and influence people*
>
> **Gautam Dasgupta**
> *regional manager, Travel House*

KEIL: EXIT KOTHARIS

Separation time is here again for the septuagenarian Harshad C. Kothari, chairman of the Madras-based (H.C.) Kothari group of companies. Its first and only electronics venture, Kothari Electronics & Industries Ltd. (Keil), will soon pass on to a new band of owners.

Ever since it commenced production, Keil has been a problem child for the Kotharis, who had identified electronics as a likely growth area and decided against moving into textiles. What egged them on was the fact that in Plessey SpA (Italy) they had an excellent collaborator who was willing to offer the latest technology. This technology, translated into a totally automated plant with an overall project cost of Rs. 14 crores, proved a hidden curse. Initially, the products were just not accepted by customers.

By the time acceptance did come, Keil was oozing red. Accumulated losses for the year ended 30th September 1985 had touched Rs. 1.93 crores against an equity capital base of Rs. 3.84 crores. Secured and unsecured loans had increased to Rs. 20.13 crores. The consequent interest burden was killing. Sure enough, for the 18-month period ended 31st March 1987, Keil's accumulated losses leapfrogged to Rs. 4.92 crores, wiping out its entire equity base. The major culprit was interest, which jumped to Rs. 3.71 crores from Rs. 0.92 crores in the previous accounting period.

Silver lining. But there is a silver lining. For the financial year ended 31st March 1988, sales touched Rs. 9.80 crores (*cf*. Rs. 7.77 crores for the 18-month period ended 31st March 1987, and Rs. 4.26 crores for the year ended 30th September 1985). More importantly, the company registered a cash profit for the first time in its unhappy financial history. Sales in the current year are expected to be in the vicinity of Rs. 15 crores and could yield a net profit of Rs. 20 lakhs after providing for depreciation and tax. The target for the next year is pegged at Rs. 20 crores. Clearly, the company is on the upswing after years of penury.

H.C. KOTHARI: GREENER PASTURES

Then why are the Kotharis moving out? The answer, most of it at least, lies with the Board of Industrial Finance & Reconstruction (BIFR). It is understood that Keil and the financial institutions (FIs) had mutually agreed that the Kotharis would raise an additional Rs. 50 lakhs. In return the FIs would offer a 2% rebate, prospectively, on the loans made. However, the BIFR, whom the Kotharis had approached to get Keil declared sick, ruled otherwise. It decided that the Kotharis would have to bring about Rs. 2.5 crores as fresh equity in order to bring down the loss to manageable limits. In turn, the FIs would give a rebate on the loans with retrospective effect, from the date the loans were taken. This implied a stiff debt equity ratio of 1.55:1.

It is believed that the Kotharis told the BIFR that in view of their other commitments, they were not in a position to raise the required amount. In its April 1988 meeting, the BIFR asked Keil and the FIs to find a joint promoter who could bring in the funds required or get the state government to take over the unit as a joint venture. The state government refused, and the ICICI, as the lead institution, found a ready buyer for the Kotharis' stake in Saha Electronics, an US-based NRI controlled outfit. Saha Electronics will be shelling out Rs. 4 for every Rs. 10 share of Keil.

Experienced acquirer. For Saha Electronics the acquisition of Keil is compatible with its existing business. It has experience in the manufacture of electronic products, and in fact, has its own production facilities in the Santa Cruz Electronics Export Processing Zone. For the Kotharis, the decision to divest has admittedly been a painful one, particularly since the problem child was finally showing signs of making good.

But it was a toss-up between retaining their stake in Keil or investing their resources in an import-substitution downstream petrochemicals project, one which they believe is more compatible with their existing lines of business. Further, the projected returns are very attractive. "The margins are what made us feel that this is the project to be in," says Harshad Kothari.

But a major reason for the Kotharis to go in for this project was also the fact that its flagship company, Kothari Sugars & Chemicals Ltd. (KSCL), which is also the promoter company of the new petro-product venture, has long suffered from the vicissitudes of being in the capricious sugar business. "We, therefore, decided to move into more stable fields at the earliest opportune time," says Kothari. One field which was identified as having a lot of scope was chemicals and petrochemicals. Finally, the search narrowed down to polybutenes — a petrochemical products based on natural gas.

In addition, the group is also looking into two other investment opportunities. One is para-nitro-chlorobenzene, a pharmaceutical intermediate for paracetamol. This Rs. 22 crore project will most probably be located at Pondicherry. Yet another product for which the Kotharis have a letter of intent is hydrogen peroxide.

Concludes Kothari: "These are moves away from our basic agro-industry profile and could in the future, provide a lot more stability." The future will perhaps see the vindication of Kothari's decision, namely that to win some, you may have to lose some.

■ *Chandu Nair*

KESORAM IND

UNEXCITING OUTLOOK

The outlook for Kesoram Industries Ltd., a Calcutta-based B.K. Birla group company engaged in the manufacture of rayon yarn, textiles, spun pipes and cement is far from exciting in the current year (April 1988 to March 1989).

The company's textiles division has been affected by a bout of labour trouble. While the spun pipes and foundries division has been facing a demand recession and a shortage of pig iron, the cement division has been facing tough competion. The company's plants located in Andhra Pradesh and Karnataka have been facing severe power shortage. The rayon yarn division is the only one fairing well.

If the actual first quarter performance this year is any indication, the sales and profit figures for the whole year may not be too different from that of last year and the equity dividend may be maintained at 23.5%.

The company has received the green signal for setting up a tyres and tubes project, for doubling the capacity of its cement plant and for establishing a sponge iron project. But in view of financial constraints, the company will give first priority to the tyre project and postpone the implementation of the others. Land for the tyre project has already been acquired at Balasore in Orissa and civil construction work is expected to start very soon.

RUSTOM MILLS

MOUNTING TROUBLES

The prospects for Rustom Mills & Industries Ltd., the Ahmedabad-based textile company which has plunged deeper into the red in recent years, are far from encouraging even for the current year ending 31st December 1988. Shareholders should not expect any return on their investment at least for the next two to three years.

The company has been passing through a severe liquidity crunch. At the same time, the operations of its mills continue to be unprofitable. On the one side, cotton prices are exorbitant, on the other, textiles have been facing severe demand recession. The escalating cost of production in a highly competitive market has been sharply cutting into the profitability of the company.

UNITECH LTD

ENCOURAGING RESULTS

Unitech Ltd., a leading Delhi-based construction company which had posted highly encouraging results for the year ended 31st December 1987 with a 42% increase in earnings, has been faring even better in the current year (i.e.1988).

The actual performance of the company during the first five months of the current year (January to May 1988) indicates that the turnover is 30% higher compared to the corresponding period last year.

What is more, the company has contracts valued at Rs.40 crores in India and Rs.10 crores abroad. These contracts include the construction of a sewerage treatment plant in Okhla at Delhi, the construction of a steel melting shop for Visakhapatnam steel plant and maintenance work for six school buildings near Tripoli in Libya.

Viewed in this context, it is almost certain that the turnover for the whole of 1988 will reach the Rs.50 crore mark and gross profits may exceed Rs.6 crores. The equity dividend which was raised by 4% last year to 20%, is likely to be stepped up further this year.

Companies this fortnight

(Rs. crores)

	Kesoram (year ending March)			Unitech (year ending December)			Rustom Mills (year ending December)		
	1986	1987	1988	1985	1986	1987	1985	1986	1987
Sales	170.02	190.90	178.42	27.80	31.78	38.22	24.56	31.86	20.37
Gross profit	18.29	11.78	12.74	3.08	3.63	5.16	0.16	– 0.63	– 2.06
Paid-up capital	8.85	8.85	8.85	0.20	5.97	5.97	1.10	1.10	1.10
Reserves	120.70	118.37	104.64	10.78	8.94	9.30	9.44	8.12	8.11
Gross fixed assets	212.80	222.77	223.52	7.69	8.13	8.40	22.04	22.14	22.17
Dividend (%)	23.50	23.50	23.50	16.00	16.00	20.00	Nil	Nil	Nil
Earnings per share (Rs.)	8.28	6.58	3.39	154.00	6.08	8.64	– 5.30	–16.36	–19.82
Paid-up value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on 8th June 1988 (Rs.)			48.00			19.50			

CARONA

STEPS UP

Footwear manufacturer Carona Ltd. is putting its best foot forward. Sales turnover is up from Rs. 39.73 crores in the year ended 31st December 1986 to Rs. 43.49 crores in 1987. Net profit has increased by 43% to Rs. 91.29 lakhs (*cf*. Rs. 63.71 lakhs). Consequently, the directors have recommended a higher dividend of 25% (20%). This excellent performance was achieved despite constraints like severe competition and increasing costs.

Exports also have more than doubled from Rs. 69.25 lakhs to Rs. 143.27 lakhs in 1987. According to a company communique, there is tremendous export potential for rubber and canvas footwear. There is need to upgrade technology by importing the latest equipment. The company has floated a subsidiary styled Carona Exim Ltd. for export marketing.

Performance in the current year is even better. Sales in the first five months (till April) rose to Rs. 13.47 crores from Rs. 12.41 crores in the corresponding period in the previous year.

SB

MAGNUM PRICES

The SBI Mutual Fund has declared the reissue and repurchase prices of Magnums for June 1988. The reissue and repurchase prices of Magnum certificates of the face value of Rs. 500 have been fixed at Rs. 540 (*cf*. Rs.527 for May 1988) and Rs. 520 (*cf*. Rs. 514). New investors of the certificates at the reissue price would join original investors to participate in the growth already achieved.

CAMPHOR & ALLIED PRODUCTS

DIVIDEND MAINTAINED

Camphor & Allied Products, the manufacturer of camphor and polyterpene resins has announced improved results for the year ended 31st December 1987. Sales turnover has increased by 11% to Rs. 22.50 crores in 1987 against Rs. 20.55 crores in the previous year. At the same time net profit has further increased by 12.5% to Rs. 91.38 lakhs (Rs. 81.24 lakhs in the previous year). However, the directors have maintained the dividend at the previous year's level of 18%.

According to the directors' report, during the year the management had to shut down the plant for maintenance, resulting in a huge production loss. Besides, due to the prevailing drought conditions in the country, the company was compelled to cut down the production of many items. However, through the liquidation of inventories, better price realisation on most of the products and overall improvement in operating efficiency in the plant, the company has achieved better results.

KINETIC HONDA

EL SUPREMO

The Kinetic Honda has proved to be the most trouble-free, fuel-efficient and comfortable scooter in the "Alpha Lap of India" — a scientifically conducted endurance test of scooters.

The event which was flagged off on 27th February 1988 was sponsored by Raymonds — Park Avenue, and supported by Ceat Tyres. It involved road tests over 20,000 kms in 80 days through 10 states up to Kathmandu in the north, Dibrugarh (Assam) in the east and Trivandrum in the south.

Organised by Alpha Motor Co., an independent automobile test house, the "lap" measured performance of scooters under identical conditions. It revealed that apart from cleaning, greasing, and adjusting, the number of faults attended to were as follows: 17 for the Bajaj Super, 13 for LML 150 NV and only 4 for the Kinetic Honda DX, which was also the most fuel-efficient at 45.22 kms/litre.

INDIAN HOTELS

FIVE-STAR RESULTS

The motto is service with a smile. And this smile has now been extended to the bottomline of the Indian Hotels Co. Ltd. The company has turned out excellent financial results for the year ended 31st March 1988.

The total income of the company crossed the Rs. 100 crore mark to reach Rs. 105.66 crores (*cf*. Rs. 93.04 crores in 1986-87). Gross profit was higher at Rs. 24.20 crores (*cf*. Rs. 20.66 crores), while the profit after tax was slightly higher at Rs. 6.76 crores (*cf*. Rs. 6.38 crores). The company has recommended a dividend of 30%.

TCFC

SUCCESSFUL 'AUTO PLAN'

20th Century Finance Corporation Ltd. (TCFC) has announced its unaudited financial results for the six months ended 31st March 1988. The company's gross income has been estimated at Rs. 11.20 crores with gross profit at Rs. 7.19 crores. After providing for a depreciation of Rs. 5.46 crores, the pre-tax profit is Rs. 1.74 crores.

The company's financial year has been extended from 30th November to 31st March 1988. Gross income for the extended period of 16 months is estimated at over Rs. 28 crores with gross profit at Rs. 18.75 crores. TCFC has already declared a 25% interim dividend for the period ended 31st March 1988. The company's 'Auto Plan,' launched recently in Maharashtra and Gujarat to provide cars on a hire-purchase basis to individuals and small businesses, has met with a favourable response in the market.

ASHOK LEYLAND

STEADY CRUISING

Ashok Leyland Ltd.,the Madras-based manufacturer of heavy duty and commercial vehicles, is on the growth track.

The sales turnover of the company is cruising steadily and has crossed the Rs. 400 crore milestone to reach Rs. 428.49 crores in 1987 (*cf.* Rs. 392.80 crores in 1986). Pre-tax profit was Rs. 9.14 crores (Rs. 6.41 crores). After providing for taxation the net profit stood at Rs. 7.70 crores (Rs. 5.97 crores). Dividend for the year has been jacked up by 2 points to 18%.

SHALIMAR PAINTS

COLOURFUL RESULTS

Shalimar Paints has come out with encouraging results in 1987. Gross sales increased from Rs. 52.28 crores in 1986 to Rs. 59.54 crores in 1987 — a growth of 14%. Profit before tax was Rs. 2.19 crores (Rs. 2.01 crores). The company's turnover has increased substantially in three years from Rs. 37 crores in 1984 to Rs. 60 crores in 1987. Reserves and surpluses have also shown a significant increase and have doubled from Rs. 1.72 crores in 1984 to Rs. 3.68 crores in 1987.

IPIL

PRESTIGIOUS ORDER

Ispat Profiles India Ltd.'s (IPIL) sophisticated plant at Sanaswadi village near Pune commenced hot trials in the making and shaping of steel on 3rd June. With its 50-tonne ultra-high power electric arc furnace with eccentric bottom-tapping, a revolutionary robot to handle all liquid metal operations, a low head continuous caster, the entire plant from scrap preparation to final product turnout is controlled and monitored by an elaborate network of computers. Among IPIL's main products are rails, H-beams, profiles and structurals, carbon alloys and other special steels which have hitherto been imported.

IPIL's main thrust will be import substitution. The company has already bagged orders to the tune of Rs. 50 crores. Among them is an order from the Indian Railways for 7,200 tonnes of H-beams, won against stiff international competition in a World Bank-aided project.

BATA

KICKING OFF

Bata India Ltd. has announced substantially improved results for the year ended 31st December 1987 with a turnover of Rs.259.51 crores (an increase of 14% over last year's Rs. 226.9 crores). After providing for taxes (Rs. 3.15 crores), excise (Rs. 5.61 crores), interest (Rs. 6.5 crores) and depreciation (Rs. 1.79 crores), net profit amounted to Rs. 3.87 crores (*cf.* Rs. 2.26 crores in the previous year). The board of directors has announced a dividend of 15% payable on the enhanced capital, following an issue of bonus shares during the year, in the ratio of 1:1.

DEEPAK FERTILISERS

DIVERSIFICATION PROJECT

Deepak Fertilisers & Petrochemicals Corporation Ltd. has announced its results for the 15-month period ended 31st March 1988. Turnover was Rs. 48.57 crores with gross profit at Rs. 13.38 crores. After providing for depreciation (Rs. 8.18 crores) and taxation (Rs. 84 lakhs), net profit amounted to Rs. 4.49 crores. The net amount available for appropriation after adding the balance brought forward amounted to Rs. 9.53 crores. The directors of the company have recommended a dividend of 18.75% for the 15-month period. The company's diversification programme involving an investment of Rs. 170 crores to produce methanol, dilute nitric acid, low density prilled ammonium nitrate, etc. is going on stream following the approval of the financial institutions and the necessary rupee/foreign currency loans.

DUNLOP

A HEALTHY BOUNCE

Dunlop India Ltd. has announced its financial results for the year ended 31st March 1988.

The total income of the company was Rs..430.26 crores *cf.* Rs. 483.34 crores in the 15-month period ended 31st March 1987. Gross profit was at an improved Rs. 40.19 crores (cf. Rs. 33.24 crores) and profit after tax also kept pace at Rs. 20.21 crores (Rs. 13.48 crores). The directors have recommended a final dividend of 18%. With the interim dividend of 12.5%, the total dividend comes to 30.5% (22.5%).

Although there were problems in the availability of certain critical raw materials, this improved performance was brought about through successful implementation of marketing policies. Higher level of efficiency in materials management, together with improved cost effectiveness and working capital management led to better results, claims a company press release.

SAKTHI FINANCE

IMPRESSIVE COLLECTIONS

The Coimbatore-based Sakthi Finance Ltd. has reported excellent working results for the year ended 31st March 1988. Total deposits with the company have taken a quantum jump of 73%. They amounted to Rs. 41.52 crores *cf.* Rs. 24.04 crores in the previous year. Meanwhile,the gross earnings of the company shot up to Rs. 12.71 crores (Rs. 7.49 crores) and profit before tax was Rs. 3.26 crores (Rs. 1.82 crores). The total dividend for the year has been recommended at 24% *cf.* 22% in the previous year.

By way of expansion, the company opened eight branches during the year, taking the total to 32. It has also commissioned four safe vaults.

HALF - YEARLY RESULTS

- **Ficom Organics Ltd.** has announced its financial results for the half year ended 31st March 1988. Sales turnover spurted 45% to Rs. 8.65 crores *cf.* Rs. 5.95 crores for the corresponding period in the previous year. Gross profit was Rs. 1.75 crores (Rs. 1.25 crores) and net profit Rs. 1.25 crores (Rs. 87.12 lakhs). The company has recommended an interim dividend of 18%. The company has drawn up ambitious plans for the expansion of its alkyl phenols production capacities.

- **Garware-Wall Ropes Ltd.** is doing the old Indian trick — climbing up the rope to higher profits. Gross income for the half year ended 31st March 1988 climbed up 44% to Rs. 12.57 crores. Gross profit was Rs. 1.47 crores (Rs. 1.18 crores) and net profit was Rs. 62.84 lakhs (Rs. 57.28 lakhs). Net profit would have been even higher but for the 100% increase in the international prices of petrochemical products which form 90% of the company's raw consumption.

- **Gujarat Machinery Manufacturers Ltd.** has announced its half yearly results. For the six-month period ended 31st March 1988, the sales turnover of the company was slightly lower at Rs. 4.93 crores *cf.* Rs. 5.03 crores in the corresponding period last year. Last year's figure included an income of Rs. 91 lakhs from business which has been discontinued during the current year. Gross profit was Rs. 1.10 crores compared to Rs. 97.49 lakhs in the previous year. However net profit declined slightly to Rs. 2.12 lakhs which was mainly due to higher allocation for depreciation on newly acquired machinery and equipment.

- **South Asian Financial Exchange Ltd.**, Madras, has reported steady growth for the six-month period ended 31st March 1988. Gross income for the period amounted to Rs. 50.42 lakhs (*cf.* Rs. 36.80 lakhs for the corresponding period in the previous year). Profit before tax was Rs. 38.50 lakhs (Rs. 23.41 lakhs) and profit after tax was Rs. 25.24 lakhs (Rs. 17.41 lakhs).

NEW PRODUCTS

- **Berger Paints** has recently launched its new emulsion paint, Rangoli. Rangoli is based on tough acrylic emulsion and light fast pigments. It has good weathering properties and is washable with mild soap solutions, and has a range of 33 shades.

BERGER PAINTS' NEW PRODUCT

BERGER
Rangoli
ACRYLIC EMULSION
4 LITRES
BERGER PAINTS INDIA LIMITED

- **Pyramid Educational Software** has introduced the Great Commercial Break, a comprehensive directory of ad films in a handy set of 2 video tapes. It is a compendium of over 450 commercials and is priced at Rs. 1,200 for the first set. Every additional set will be priced at Rs. 600.

- **Electronica Consumer Durables Pvt. Ltd.** has introduced Elektra Compcool, India's first computer cooler. Working on the thermoelectric principle, Elektra Compcool blows cool air over the integrated circuits and other critical components and prevents overheating. Recirculation of the internal air eliminates the problems of dust and smoke.

NEW ORDERS

- **International Computers Indian Manufacture Ltd.** has bagged a major order valued at Rs. 1 crore. The contract involves developing software for International Computers Ltd. (ICL) of the UK and for the Singapore Post Office Authority. The production planning package being developed for ICL's in-house use is called the Zig Zag project. And the Singapore post office will obtain special MIS (management information system) software to integrate most of its major postal functions.

ICIM, PUNE

NEW VENTURES

- **Essar Shipping Ltd.** has acquired a self-propelled drillship, the first one acquired so far by an Indian shipping company It will be deployed for oil well drilling in deeper waters. With this acquisition, Essar now owns nine rigs.

AWARDED

- **Bharat Forge Ltd.** has been awarded the Engineering Export Promotion Council's Special Shield 1986-87 in the steel-based product group.

- **Ogilvy Benson & Mather Advertising** has bagged another award which takes its tally this year to 31. The latest award was won by the agency's art director, Neville D'Souza in a contest for the best design for the 1988 Bombay telephone directory of Mahanagar Telephone Nigam Ltd.

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ADMINISTRATIVE STAFF COLLEGE OF INDIA

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In collaboration with the Bureau of Public Enterprises
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Last date for nomination
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Last date for nomination
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Course Director
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Last date for nomination
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Programme Director
Prof. K.K. Swaminath
Last date for nomination
September 10, 1988

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For brochures, nomination form and fee particulars, please write to:

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PEOPLE & PLACEMENTS

L. RAMASWAMY has been promoted as executive director of Standard Motor Products of India Ltd., Madras.

P.P. MADAPPA has been appointed as the managing director of Karnataka Antibiotics & Pharmaceuticals Ltd. Hitherto, he was managing director in charge of the company.

H.C. DHARWAR has taken over as the general manager (safety), Steel Authority of India Ltd. Prior to this, he was deputy general manager (services) at the Durgapur steel plant.

B.K. MANGAOKAR has taken over as the commercial director of Air-India.

K.L. CHUGH, the managing director of Bhadrachalam Paperboards Ltd., has been appointed as the chairman of VST Industries Ltd.

J.S. NEGI has been elevated to the position of chief executive of Jyoti Ltd. He is also a fellow of the Institution of Engineers (India), senior member of IEEE (USA), and a member of CIGRE (France).

SUSHIL BAHL has joined Greaves Cotton & Co. Ltd. as general manager (publicity & public relations). He is also the vice-president of Advertising Club, Bombay, and PRSI (Bombay chapter).

ALOKE CHAND MITRA has been appointed as chairman, Indian Roads & Transport Development Association (eastern region) for 1988-89.

DILIP CHATTERJEE has been re-elected as president of the Advertising Club, Calcutta, for 1988-89.

S.R. BIJOOR has been appointed as the president of Field Marshal K.M. Cariappa Orphanage-cum-hostel. He is a professor at the Indian Institute of Management, Bangalore.

SURESH T. KILACHAND has been elected as president of the International Institute of Synthetic Rubber Producers for 1988-89. Currently he is the chairman and managing director of Synthetics & Chemicals Ltd.

ASHOK KUMBHAT has been appointed as director, Tamil Nadu Industrial Investment Corporation Ltd. He is a former president of the Institute of Chartered Accountants of India and is currently president of the Hindustan Chamber of Commerce, Madras.

BENAMI BUSINESS

The *Benami* Transactions Ordinance promulgated by the President last month seeks to bar any suit, claim or action to enforce any right in respect of any property which is held *benami*. In other words, the real owner of the property cannot file a suit against the person in whose name the property is held or against any other person. Nor can he claim any rights against the person in whose name the property is held.

As a consequence of the ordinance coming into force immediately, the provisions of s.281-A of the Income Tax Act, 1961, have been repealed. Under this section the real owner was prevented from enforcing his right in respect of any property held *benami*, unless notice in the prescribed form and containing the prescribed particulars had been given by the real owner to the income tax department within one year from the date of acquisition of the property.

Before dealing with the provisions of s.281-A, it would be necessary to discuss some of the decisions of the courts on the general principles governing *benami* transactions.

The true test to determine whether a transaction is benami *or not is to look into the intention of the parties*

In *C.E.D.* v. *Aloke Mitra* (126 *ITR* 599), the Supreme Court held that in the case of a *benami* transaction, the real owner has the title though the property is in the name of the *benamidar*. The real owner can deal with the property without reference to the latter. A *benamidar* has no interest at all in the property standing in his name.

In *First I.T.O.* v. *M.R. Dhanalakshmi Ammal* (112 ITR 413), the Madras high court observed that the burden of proof by the party who sets up the *benami* deal would be discharged by satisfying the following criteria: (1) source for the purchase, (2) possession of the property, (3) position of the parties and their relationship to one another, (4) circumstances, pecuniary or otherwise, of the transfer, (5) motive for the transaction, (6) custody of the title deeds, and (7) the previous and subsequent conduct of the parties.

Although each of these circumstances by itself may not be of any particular value and affords no conclusive proof of the intention to transfer the ownership from one person to another, a combination of some or all of them and a proper weighing and appreciation of their value would go a long way towards indicating whether the ownership has been really transferred and where the real title lies. The true test to determine whether a transaction is *benami* or not is to look into the intention of the parties. The issue of *benami* cannot be decided on mere conjecture or suspicion as to the various circumstances surrounding the transaction since the very object of a *benami* transaction is secrecy.

In the instant case, the income tax officer had appealed against the order of the trial court. This order had upheld the claim of the assessee that the suit properties were her own properties which were not liable to be attached in recovery proceedings with regard to the arrears of income tax due from the third defendant to the suit. The Madras high court held that the income tax officer had not chosen to let in any evidence to show that the property had been purchased in the name of the first respondent (the assessee) for the benefit of the third defendant. The court opined that the finding of the trial court was correct.

I now turn to the cases pertaining to s.281-A of the Income Tax Act.

In *Dina Ram* v. *Rama Nand* (126 ITR 486), the former filed a suit for possession by way of pre-emption against the latter. One RS applied under 0.1, rule 10, read with s.151 of the Civil Procedure Code, to implead himself as a party in the suit on the ground that he was the owner of the property and Rama Nand, the defendant, was only his *benamidar*.

The court impleaded RS as a party, overruling the objections of Dina Ram who then preferred a revision petition to the Punjab and Haryana high court. It was contended for Ram that RS could not be impleaded in view of the provisions of s.281-A of the Income Tax Act.

The court held that s.281-A did not apply to the facts of the case. RS was not claiming to enforce any right against the *benamidar* or against any other person in respect of the property in dispute. The *benamidar* did not claim that he was the real owner and, in this situation, the person who claimed to be the real owner should be impleaded as a party. The trial court was, therefore, justified in impleading RS as a party to the suit.

The court further observed that in view of the provisions of s.281-A of the Act, the real owner is precluded from instituting any suit to enforce any right of his in respect of his property held *benami*, unless the conditions mentioned in clauses (a), (b) and (c) are satisfied. S.281-A is no bar to the impleading of the real owner to a property as a party in a pre-emption suit. In *Santimoy Bhattacharyya* v. *Lakshmi Pada Dutt* (159 ITR 637), the Calcutta high court observed that the language of s.281-A of the Income Tax Act is plain, simple, unambiguous and clear. Sub-section (1) of s.281-A prescribes a bar to the institution of a suit in respect of *benami* property unless certain conditions are fulfilled prior to such institution.

In conclusion, it has to be pointed out that the recent ordinance is more or less on the same lines.

■ *H.P. Ranina*

The author is a Bombay-based advocate.

MARKETS REV UP

Equities are once again in robust health. This year was not supposed to be a replay of 1985. However, it now appears that 1988 could be even beter than 1985. Equity values have zoomed up and the Bombay stock exchange's ensitive index hit a new high of 628.63 on 8th June 1988.

However, in an ostensible effort to curb xcessive speculation, the BSE authorities have decided to put fresh restrictions on rading once again. The authorities have o safeguard investor interest and to see hat there are no payment defaults by its members. The stiff margins imposed on he bulls adequately ensure this.

But the fact that artificial impediments re being imposed in the day-to-day funcioning of the stock exchanges only proves he point that our stock exchanges do not perate in a free market. Extreme caution ught to be exercised by the authorities efore trying to impose any such arbitrary estrictions. This could result in the sentiment being adversely affected and equity alues could slump. Should this happen ow, it will mean the fading away of the quity cult. The maxim "once bitten — wice shy" will stand revised to "twice itten — always shy." These arbitrary acons of the BSE authorities could also ndo what North Block mandarins have one to boost the sentiment. Further restrictions should be considered from all ngles before they are implemented.

MPORTANT REASON

The sudden and abrupt rise in equity alues has left many investors gasping for reath. However, the credit for the change n the sentiment can be given to the fiance ministry and other government auhorities. The single most important eason for the boom is the selective revival f investment allowance. Further, licensing procedures have been relaxed and minor tax reliefs given to investors. There re reports that more goodies are in the ffing. The icing on the cake has been proded by the weatherman announcing that e raingods will shower blessings on our ountry this year.

However, these positive factors still do ot explain the runaway boom in equity alues. This appreciation, although welcome, is too meteoric to be credibly justied.

> *The sudden and abrupt rise in equity values has left many investors gasping for breath. The single most important reason for the boom is the selective revival of investment allowance*

That the Union government has a ested interest in a buoyant capital market only too well-known to need repetition here. A booming capital market is necessary for economic development and also to channelise savings into the production stream. Moreover, although foreign investment is required for rapid economic growth, the rupee portion of the outlay has to be raised through the capital markets.

Thus a revival of the primary market is also needed. Although the secondary market has revived the primary market still has to wake up. However, the sentiment should improve here also, as the boom in the secondary market has been too sudden to be reflected on the primary markets till now. But it would be wrong to say that the hectic days of 1985 are back. The investor today is more cautious. The "C" grade scrips have not participated in the current rally. It is only when the dud counters also surge ahead unchecked can it be said that there is excessive speculation. Further, it needs to be pointed out here that should restrictions be put on the specified shares, the activity may shift to the cash counters, which may then move up. This development is not welcome as there are no margins on cash shares.

The equity index has been moving up despite the conspicuous absence of the financial institutions and the mutual funds. Institutions, on the contrary, have been booking profits at higher levels. The flow of corporate reports has also been good and bears have been virtually sent into hibernation. The ground is clear for the bulls to go about their business.

The volume of business has been expanding and disinvestment by professional investors is on the wane. Investors have once again begun to crowd Dalal Street and funds are flowing back into the share markets. A word of warning for novice bulls who may enthusiastically jump into the fray at this time: go in slowly and selectively and try to get out before a reaction. Most important of all, do not rely on investment tips. Currently "buy" recommendations are happily being made on the flimsiest of grounds, particularly in a market which has moved up as rapidly in the past few weeks.

The *modus operandi* in this market ought to be fast in, fast out. Thus no buy recommendations have been made this fortnight as the market scenario is confusing.

■ *Gul Teckchandani*

The author is a Bombay-based investment consultant

BUSINESSWORLD STOCKMARKET TABLE

INDUSTRY/COMPANY	FACE VALUE (Rs.)	YEAR ENDED	SALES (Rs. crores)	EQUITY CAPITAL (Rs. crores)	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	IN DIVIDENDS	EPS (Rs.)	P/E 10 JUN	P/B.V 10 JUN	PAYOUT	SHARE PRICE 10 JUN (Rs.)	MK.CAP 10 JUN (Rs. crores)	%CH.CAP Over 27 MAY
I. AUTO ANC & TYRES													
1. CEAT	10	30/06/87	316.07	9.32	36.21	17.93	13.20	4.55	1.88	0.19	**60.00**	55.92	–7.69
2. CHLORIDE	10	31/08/87	107.50	20.66	13.29	22.23	4.46	14.69	4.24	0.70	**65.50**	135.32	–3.68
3. MICO	100	31/12/87	183.73	38.05	18.24	10.22	33.88	17.12	2.67	0.35	**580.00**	220.69	7.41
4. MODI RUBBER	10	30/04/87	358.60	10 38	4.77	5.84	6.06	7.76	0 88	0.41	**47.00**	48.79	–9.61
II. BASIC CHEMICALS													
5. NOCIL	100	31/12/87	288.10	36 00	49.84	16 14	48.22	9 90	1 88	0 41	**477.50**	171.90	1 60
6. TATA CHEM	10	31/03/87	193.56	36 19	18 25	20 43	6 24	11.54	1.88	0.30	**72.00**	260 57	–4.63
III. BASIC METALS													
7. HINDALCO	10	31/12/87	372.05	17.81	39.94	9.89	11.48	7.58	2 03	0 15	**87.00**	154 94	8.75
8. INDIA FOILS	10	30/06/87	104.90	4.38	26.03	18.83	7.19	9.39	1.64	0.29	**67.50**	29.57	0 75
9. MUKUND IRON	10	30/06/87	266.30	9.82	13.80	7.04	8.14	11.06	5.85	0 22	**90.00**	88 38	–1 10
10. TISCO	100	31/03/87	1416.39	115.30	9.34	7.59	75.91	11.36	2.06	0.24	**862.50**	994 46	16.16
IV. CEMENT													
11. ANDHRA CEMENT	10	31/03/87	53.94	9.51	–13.80	38.04	0.73	16.44	0.54	1.38	**12.00**	11 41	2.15
12. ACC	100	31/07/87	760.92	39.88	–57 92	–6.50	0.85	261.76	0 60	11.74	**222.50**	88 73	7.49
V. CHEM.INTERMEDIATES													
13. BASF	10	31/12/87	59.30	2.84	10.15	15.88	7.25	15.72	2 32	0.28	**114.00**	32 38	–2.56
14. COLOUR CHEM	100	31/03/87	66.95	7 94	17.24	3.08	42.44	8.48	1.52	0 42	**360.00**	28.58	–5.27
15. DEEPAK NITRITE	10	31/10/87	23.60	2.43	10.30	5.05	3.99	10.53	1.58	0.36	**42.00**	10 21	16.69
VI. COMM VEHICLES													
16. BAJAJ TEMPO	10	31/09/87	152.91	6.58	–25.31	4.06	2.64	31.25	1.12	0 47	**82.50**	54.29	–9 58
17. MAH & MAH	10	31/10/87	599.28	19 26	1 11	9.40	5.76	10.24	1.27	0 38	**59.00**	113 63	–1.67
18. TELCO	100	31/03/87	1196.89	90.97	–38.98	–6 45	3.22	200.31	2.35	1.88	**645.00**	586.76	4.03
VII. CONS DURABLES													
19. ASIAN PAINTS	10	31/12/87	201.72	12.45	32.95	30.02	10.07	15.89	4.40	0.30	**160.00**	199.20	3.22
20. PEICO	10	31/12/87	385.93	33.32	1.54	–8.12	1.04	31.25	1.67	0.96	**32.50**	108.29	–4.41
21. VIP INDUSTRIES	10	31/07/87	68.40	5.99	–1.39	N.A	1.43	9.27	0.71	0.84	**13.25**	7.94	–7.03
VIII. COTTON TEXT													
22. CENTURY SPG	100	31/12/87	390.80	26.62	4.55	12.57	56.50	14.56	1 43	0.42	**822.50**	218 95	–4.36
23. MADURA COATS	10	30/06/87	200.36	21.81	7.88	14.48	5.14	14.01	2.83	0.49	**72.00**	157.03	0.00
24. RAYMONDS	10	31/03/87	225.19	22.48	37.75	22.02	5.89	8.49	1.73	0.21	**50.00**	112.40	4.17
IX. DOMES.CONS.PRODS													
25. COLGATE	10	31/12/86	163.52	15.72	23.25	11.34	6.49	32.16	10.95	0.40	**208.75**	328.16	6.37
26. HINDUSTAN LEVER	10	31/12/87	933.68	93.32	13.34	22.33	4.98	13.86	3.42	0.50	**69.00**	643.91	–6.12
27. ITC	10	30/06/87	1051.80	33.17	15.26	12.36	5.26	8.17	1.80	0.57	**43.00**	142.63	0.00
28. McDOWELL	10	30/06/87	145.20	6.40	–2.72	41.58	10.91	7.33	1.30	0.14	**80.00**	51.20	0.00
29. RECK & COLMAN	10	03/01/88	59.28	4.20	25.17	13.43	13.02	16.71	5.21	0.23	**217.50**	91.35	3.57
X. ELEC.ENGG													
30. BEST & CROMP	10	31/12/86	123.56	4.73	–22.28	2.38	1.92	19.01	0.74	0.79	**36.50**	17.26	–1.37
31. FINOLEX CAB	10	30/11/87	60.58	1.80	50.69	32.42	45.39	8.76	4 29	0.09	**397.50**	71 55	10 42
32. GENELEC	10	30/06/87	74.19	2.16	16.60	12.41	6.76	7.77	1 59	0 37	**52.50**	11 34	–12 50
33. OTIS	10	30/11/87	54.28	5.04	18.55	15.36	7.58	24.41	6.36	0 33	**185.00**	93 24	–5 13
34. SIEMENS	10	30/09/87	198.40	20.94	–1.55	2.63	2.48	27.82	1 72	0 42	**69.00**	144 49	–6 76
XI. EQUIP.MANUF													
35. INGERSOLL	10	31/12/87	77.14	7.89	21.93	15.81	10.99	25.02	7.43	0 27	**275.00**	216 98	–3.51
36. KIRLOS CUMM	10	30/09/87	146 96	26.40	4.23	23.13	3.81	14.70	2.33	0.53	**56.00**	147.84	0.00
37. MATHER & PLATT	10	30/06/87	42.04	6.40	21.14	14.23	6.13	11.83	3.17	0.33	**72.50**	46.40	–9.38
XII. FERTLISERS													
38. GSFC	10	31/12/87	357.40	26.94	23.47	15.88	13.07	9.64	1.72	0.23	**126.00**	339.39	5.00
39. SPIC	10	31/12/87	391 00	34.42	–23.16	N.A	1.47	35.71	1.78	1.01	**52.50**	180.71	7.14
XIII. FOOD PRODS													
40. BRITANNIA	10	30/11/87	192 10	12.38	23.92	16.60	6.37	14.60	3.45	0.38	**93.00**	115.13	9.41
41. BROOKE BOND	10	30/06/87	399 50	24.73	18.02	13.94	6.08	14.80	4.67	0.49	**90.00**	222.57	–1.10
42. HIND COCOA	10	30/06/87	73 42	8.40	26.56	18.22	5.31	16.24	4.65	0.28	**86.25**	72.45	10.58

BULLS REIGN

The boom continued on the stock exchanges during the fortnight ended 10th June. Sustained speculative buying by prominent bull operators coupled with institutional support aided the cheerful sentiment. The bullish trend was attributed to reports that the Abid Hussain panel has suggested a package of fiscal incentives for the private sector. The liberalisation of the industrial licensing procedures also bolstered the sentiment.

Reflecting the bullish trend in equities, *The Economic Times* index of ordinary shares (1984-85 = 100) moved up from 254.1 on 27th May to 264.3 on 10th June recording a gain of 4.01%. Following suit, the *Financi* *Express* equity index advanced fro 338.85 to 351.25. The *BusinessWorl* index also rose from 134.94 to 146.2 The volume of business expande considerably as more and more sma investors returned to the markets.

The highlight of trading during th fortnight was the spurt in Tis which jumped from Rs. 742.50 to R

STOCKMARKETS

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY COMPANY	FACE VALUE (Rs.)	YEAR ENDED	SALES (Rs. crores)	EQUITY CAPITAL (Rs. crores)	COMPOUND GROWTH OVER 5 YRS(%) IN EARNINGS	IN DIVIDENDS	EPS (Rs.)	P/E 10 JUN	P/B.V 10 JUN	PAYOUT	SHARE PRICE 10 JUN (Rs.)	MK CAP 10 JUN (Rs. crores)	%CH.CAP Over 27 MAY
XIV	**HEAVY ENGG PROJ**													
43	ELECON ENGG	10	31/12/87	113.00	5.65	0.89	13.60	4.60	12.17	1.04	0.33	**56.00**	31.63	7.69
44	GAMMON	10	30/07/87	112.00	2.16	52.05	5.35	19.53	3.41	0.96	0.13	**66.50**	14.36	18.68
45	HIND DORR	10	30/11/87	42.66	2.38	25.48	14.03	16.43	8.22	2.43	0.23	**135.00**	32.13	-11.49
46	ALFA LAVAL	10	30/11/87	51.00	5.21	15.13	15.63	5.37	12.10	1.67	0.34	**65.00**	33.87	-1.88
XV.	**LIGHT ENGG**													
47	SKF BEARING	100	31/12/87	83.86	12.35	15.64	7.60	87.77	14.58	3.69	0.25	**1280.00**	158.08	-0.39
48	BHARAT FORGE	10	30/09/87	120.10	5.71	33.86	6.63	11.51	12.16	2.46	0.22	**140.00**	79.94	4.48
49	IND OXYGEN	10	30/09/87	131.00	14.60	-9.51	1.03	2.16	15.28	1.55	0.74	**33.00**	48.18	4.76
50	SANDVIK ASIA	100	31/12/87	38.93	5.78	-5.93	9.37	23.53	27.84	2.84	0.85	**655.00**	37.86	2.35
XVI.	**MULTI PRODS**													
51	IEL	10	30/09/87	478.41	40.87	-17.55	-3.37	1.24	32.26	1.42	1.06	**40.00**	163.40	1.26
52	LARSEN & TOUBRO	10	30/09/87	573.10	56.37	7.47	15.43	4.90	19.18	2.42	0.41	**94.00**	529.88	0.00
53	RALLIS	10	31/05/87	225.41	5.64	25.69	11.40	10.30	7.28	0.16	0.29	**75.00**	42.30	2.74
54	VOLTAS	100	31/08/87	363.71	12.78	11.18	6.88	53.60	5.36	0.99	0.30	**287.50**	36.74	-1.71
XVII	**PASS.VEHICLES**													
55	BAJAJ AUTO	10	30/06/87	607.74	18.82	70.08	37.08	34.30	6.34	2.01	0.12	**217.50**	409.34	10.83
56	KINETIC ENGG	10	30/06/87	91.25	1.20	15.57	19.22	20.25	13.33	2.02	0.15	**270.00**	32.40	36.71
57	HIND MOTORS	10	31/03/87	373.01	26.41	-19.96	-2.22	1.17	20.09	0.77	0.85	**23.50**	62.06	13.25
XVIII	**PEST & AGROCHEM**													
58.	BAYER	100	31/12/87	111.70	16.22	9.38	12.80	27.19	13.24	2.13	0.59	**360.00**	58.39	4.34
59.	SEARLE	10	31/12/87	35.00	3.48	35.23	20.34	8.02	17.14	2.57	0.25	**137.50**	47.85	-3.51
XIX.	**PHARMA**													
60.	GLINDIA	10	30/06/87	200.97	20.00	9.38	7.36	3.70	17.30	2.68	0.49	**64.00**	128.00	-3.76
61.	HIND CIBA	100	31/12/87	176.80	17.71	6.26	13.26	38.17	12.71	1.74	0.52	**485.00**	85.89	1.04
62.	HOECHST	100	31/12/87	158.81	9.58	-16.27	-6.52	13.67	40.31	1.49	0.73	**551.00**	52.79	-8.16
XX.	**PLANTATIONS**													
63.	ASSAM CO	10	30/06/87	44.15	7.00	45.90	55.03	6.46	15.87	3.08	0.62	**102.50**	71.75	-2.38
64.	McLEOD RUSSEL	10	30/06/87	43.45	6.25	35.83	39.23	8.06	11.45	2.47	0.56	**92.25**	57.66	-0.26
65.	TATA TEA	10	31/12/87	151.10	12.20	24.81	N.A	9.04	15.15	2.49	0.50	**137.00**	167.14	10.48
XXI	**PLASTICS & PAPER**													
66.	BALLARPUR	10	30/06/87	362.66	13.98	-4.74	0.29	3.37	13.06	0.77	0.70	**44.00**	61.51	7.31
67.	BHADRACHALAM	10	30/09/87	48.85	10.57	-4.64	7.84	4.16	6.37	1.10	2.00	**26.50**	28.01	-1.86
68.	GARWARE POLY	10	30/06/87	76.78	5.81	16.35	21.89	7.57	10.83	2.30	0.29	**82.00**	47.64	-0.61
69.	SUPREME IND	100	30/06/87	57.26	1.80	22.32	18.88	101.67	16.72	2.72	0.18	**1700.00**	30.60	-4.23
XXII.	**POWER GENERATION**													
70.	CAL ELEC SUPP	10	31/03/87	321.09	8.45	15.53	5.76	11.22	1.49	0.20	0.21	**16.70**	14.11	6.01
71.	TATA POWER	100	31/03/87	330.90	20.00	35.06	11.11	148.20	1.60	0.51	0.11	**237.50**	47.50	-6.86
XXIII.	**SERVICE IND**													
72.	EAST IND HOTELS	10	31/03/87	65.93	17.34	11.41	3.52	5.64	9.04	2.20	0.35	**51.00**	88.43	0.00
73.	HDFC	100	31/06/87	76.86	19.79	31.44	16.51	46.74	1.97	0.42	0.20	**152.00**	30.08	3.40
74.	20TH CENT FIN	10	30/10/86	17.70	6.34	53.14	54.38	5.98	3.51	0.77	0.30	**21.00**	13.31	-4.59
75.	TATA UNISYS	10	31/12/87	27.12	4.38	-1.18	12.19	3.54	24.72	4.79	0.62	**87.50**	38.33	-1.39
XXIV.	**SHIPPING**													
76.	ESSAR SHIP	10	31/12/87	60.50	33.42	8.46	25.04	2.33	9.66	1.05	0.86	**22.50**	75.20	16.90
77.	GR EASTERN	10	30/06/87	102.50	31.94	6.72	19.13	2.12	13.92	1.53	0.98	**29.50**	94.22	8.25
XXV.	**SYNTHETIC TEXTILES**													
78.	CENTURY ENKA	100	31/12/87	280.20	11.87	16.76	13.59	118.03	14.57	2.50	0.32	**1720.00**	204.16	1.47
79.	GRASIM	10	31/03/87	531.00	21.59	2.68	4.51	4.00	24.63	1.73	0.60	**98.50**	212.66	3.68
80.	RELIANCE	10	31/12/86	989.90	158.26	-13.44	21.35	0.90	234.44	8.10	0.97	**211.00**	3339.29	17.22
	TOTAL			20213.85	1608.93								13533.71	

BUSINESSWORLD INDEX (10th JUNE) = 146.25 27 MAY = 134.94 (BASE 29TH JUNE 1987 = 100)

EPS EARNINGS PER SHARE P/E PRICE EARNINGS RATIO P/B V MARKET PRICE TO BOOKVALUE %CH CAP PERCENTAGE CHANGE IN MARKET CAPITALISATION

362.50 (16.16%) on renewed specula-ive buying. The support was based on expectations of marked improve-nent in the company's profit for the ear ended 31st March 1988.

In keeping with the general trend of he market, man-made fibres con-inued to forge ahead on reports that here would be further hikes in the elling price of polyester fibre and yarn.

Transport vehicles shares exhibited a firm trend following reports that the government would announce a liberal automobile policy soon.

"Equities on stockmarkets will remain buoyant because the government has taken positive measures to revive the capital market. The flow of encouraging corporate news has also aided the bullish trend. It is likely that foreign investment will increase substantially in the coming months," observes R. Sankaran, the chief of the merchant banking division of Standard Chartered Bank.

■ *S. Dhruv*

TAXMAN'S MANUAL

Big taxpayers, whether individuals or companies, had better beware. The income tax department is preparing to sharpen its investigative capabilities and techniques. The department has decided to bring out an in-house journal which will be called *Aayakar Bharathi*. It will keep all tax sleuths, from the lowly income tax officer to the chairman of the Central Board of Direct Taxes, abreast of the latest developments not only in terms of changes in the law but also the ever-changing modus operandi of individuals and corporations to evade taxes.

The publication of the journal was discussed at the recent two-day annual conference of income tax commissioners in New Delhi. The background paper for the conference, circulated among the commissioners in a restricted document which *BusinessWorld* has been able to get hold of, refers to a recent study by the National Institute of Public Finance and Policy (NIPFP) indicating that taxes are not being paid on nearly 75% of the income being generated in the country.

The preamble to the background paper, justifying the case for the in-house journal, says: "To meet the serious challenge of tax evasion, changes in taxation policy and laws alone are not enough. The tax administration also has to be made more effective and purposeful. The technical knowledge and skills of the officers have to be kept up-to-date on a continuing basis. They have to be informed not only of the changes in law, including the cases decided by the courts, but more importantly the changes in tax evasion practices and the methods of combating them."

The solution, it has been decided, is to start an in-house journal which will help taxmen hone their skills in opening up the cans of worms which individual and corporate taxpayers would like to keep hidden.

Apart from this journal, the officers of the income tax department got a fresh mandate from none other than finance minister N.D. Tiwari, who inaugurated the conference. Tiwari told the department to prepare detailed dossiers on all big corporate assessees so that all information about their tax practices is available at a glance.

ELIMINATING LOOPHOLES

While on the subject of the income tax commissioners' conference, it is worth recording that the government is continuing its efforts to reduce the number of deductions and incentives to industry and individuals with which the Income Tax Act is filled to the brim.

The tax commissioners present at the Delhi meeting were once again given a brief to find out ways of curtailing the number of incentives and deductions in the Income Tax Act. As the background paper, on which the commissioners based their deliberations, puts it, "An exercise in this regard is necessary for two reasons: (i) for increasing the number of taxpayers by eliminating exemptions which take out some groups of taxpayers from the net of taxation; and (ii) for increasing collections."

A rider, however, was attached. The background paper said: "Before discussing the suggestions in this regard, it needs to be kept in view that since income tax and other direct taxes have become a vital part of the nation's fiscal policy, total elimination of incentives from a tax system perhaps cannot be achieved, though conceptually that would be an ideal situation."

The background paper summarises the finance ministry's overall approach towards the deductions and incentives allowed in the Income Tax Act thus: "The future tax reform can be planned on the understanding that tax exemption provisions should be gradually withdrawn as such a measure would greatly widen the tax base, thereby resulting in large collections even at reduced rates of taxation. A distinction, however, would have to be made between tax exemption which is purely for economic benefit, with no direct cash flow to the government, and, on the other hand, tax exemptions like s. 80CCA, etc., which would, despite reducing the tax base, result in direct cash inflow, as also exemptions which would encourage bringing in more foreign exchange to the country."

TIWARI'S BEAR-HUG

North Block mandarins have coined a new phrase to describe the approach to life of finance minister Narayan Dutt Tiwari: "Bear-hug diplomacy." Tiwari is known for his effusive and ebullient way of greeting people who meet him and the new description fits him perfectly.

Tiwari's bear-hugs certainly please Indian politicians, businessmen and journalists who meet him but this kind of diplomacy can backfire with people who do not relish close contact with others.

This is what happened recently when M. Yamaguchi, chairman of Japan's Overseas Economic Cooperation Fund (OECF), met Tiwari recently in Delhi. OECF is Japan's window for soft aid, or officia development assistance as it is calle in official parlance. And India is one of its biggest beneficiaries. Tiwari probably thought he would have to demonstrate India's gratitude and friendliness to Japan in his own unmistakable way: he gave Yamaguchi a bear-hug.

TIWARI: UNBEARABLE

But Yamaguchi was not amused. I fact, according to observers at the meeting, he found it bordering on th repugnant. The Japanese prefer to pu on a cold exterior and don't even lik to shake hands. Tiwari's stint in external affairs does not seem to hav taught him the nuances of diplomac

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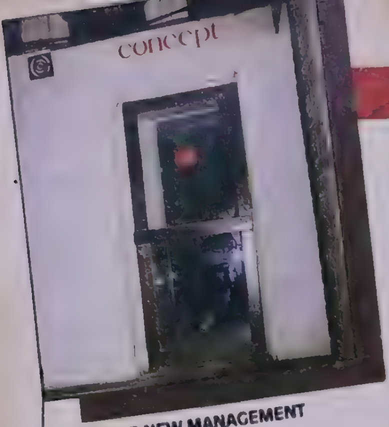

UNDER NEW MANAGEMENT

CHANGE IN CONCEPT

Nirmal Suchanti, who was at a loose end after he left family concern Pressman Advertising in his brother's care, has adopted another baby. He has bought the Rs. 2.5 crore billing Concept Advertising from Mahesh and Shobha Doctor.

The creator of soppy soap operas like *Humlog*, Concept Advertising was born in the sixties. It later cashed in on the small screen boom in a big way. With the competition in TV serials now having become intense, the Doctors have decided to opt out.

But there will still be some links. Shobha Doctor will continue on the board of directors of Concept, a position she is likely to fill with her customary aplomb.

PERSONAL PROGRESS

Pepsodent toothpaste, an old Hindustan Lever brand, will be relaunched in a couple of months. The ad campaign is being handled by the Madras office of Hindustan Thompson Associates (HTA).

The advertising for other items in Lever's personal products division (excluding Pears soap) is also being shifted to Madras. Evidently, the move to club the division's operations with sister concern Pond's (which is headquartered in Madras) is making some headway.

DIVERSIFICATION BINGE

The smoke signals are working overtime. It's the cigarette companies that are seeking greener pastures now. ITC Ltd. — which has already diversified into paper and hotels — has plans to enter the branded edible oils business. Hectic market research is underway, but marketing men are not laying any bets on this gamble. ITC Ltd. has had little experience in marketing commodities (rather than brands) and the whole thing might well go up in smoke.

Meanwhile, Godfrey Phillips Ltd. has already started marketing tea in New Delhi, and intends to extend the network to all major metros if the response is encouraging. VST Industries Ltd. has commissioned an extensive market research on the cables industry. But then, this won't be the firs time the company has announced plans to diversify, only to back out later. Another cigarette major, GTC Industries, already has a string of small projects on the anvi

One reason for this diversification binge is th fact that cigarettes don't seem to have a bright future. The future will decide whether cables an edible oils are better bets.

RIDING BOTH HORSES

The tussle between Ficci and Assocham to win the affiliation of Reliance Industries Ltd. has ended in a draw. Anil Ambani has been roped in as a committee member by both apex chambers.

Assocham has found a straightforward berth for him on its jumbo 66-strong managing committee as one of the nine 'ordinary members' representing industry. On the other hand, Ficci has been more ingenious. Invoking a convention that three seats are kept earmarked for presidents of all-India bodies representing sectoral interests in industry, the Ficci elders decided that the Association of Synthetic Fibre Industry (ASFI) was one body which deserved representation on the apex chamber's main committee. Prize catch Ambani — who is the incumbent president of ASFI — automatically became a member.

ANIL AMBANI: BEST OF BOTH WORLDS

HOMEGROWN PICKENS

One has heard of aces up the sleeve. Mahendra Swarup seems to have an ACC up his. Th unexpected winner in the farcical fracas over the ACC debenture issue, Swarup is, in all probability, going to offload his stake in the company very soon. And make a killing in the bargain. His Rs. 5 crore investment is worth Rs. 10 crores now.

More interesting, the grapevine has it that Swarup is a front man for well-known group of takeover specialists who have agreed to pay him a 30% commission for the deal. But Swarup may have to sell his stake to the ACC management itself.

Swarup must be used to such profitable deals. Fou years back, he laughed all the way to the bank after buying Modi Rubber and Great Eastern Shipping scrips and selling them to the management. He is trying the same trick with his Swadeshi Polytex stak — without success so far. The Indian corporate sector seems to have had a T. Boone Pickens right in its backyard without bein aware of him.

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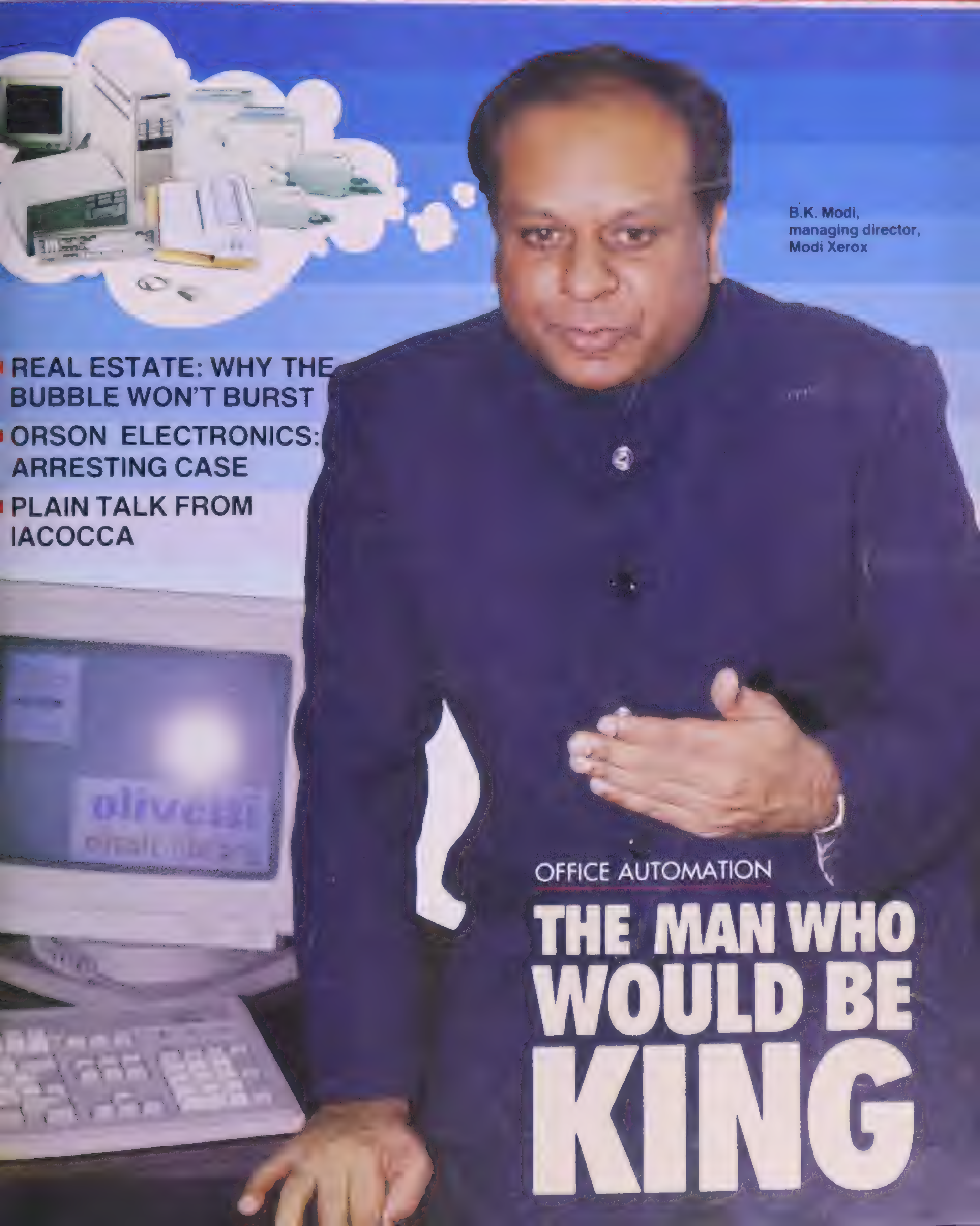

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- REAL ESTATE: WHY THE BUBBLE WON'T BURST
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- PLAIN TALK FROM IACOCCA

OFFICE AUTOMATION

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the magazine for Indian business

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A NEW PACK AGAIN

It was Franklin D. Roosevelt who first coined the phrase 'New Deal.' Prime minister Rajiv Gandhi has apparently taken a leaf out of the book of the US wartime president — only he reads it differently. The Gandhi approach is to resort to a reshuffle of his ministerial colleagues, party panjandrums and Congress(I) chief ministers the moment anything goes wrong. Whether a new pack (unlike Rajiv, who once referred to the Planning Commission as a bunch of jokers, we may not use such evocative adjectives) serves any purpose is a moot point. One thing it does do is distract attention from more relevant issues.

And such issues there are aplenty. V.P. Singh converted the Allahabad byelection into a national referendum. The Congress(I), by pouring in men, money, political heavyweights and even an idiot box Rama in his human *avatar*, tacitly accepted the challenge. The emperor himself cannot be at fault. Thus, the blame must be distributed among the lesser lights. Heads must roll and, even if they are given a respectable perch somewhere else, they are ordained to be considered the guilty. But the fact remains that the Mr Clean mantle has already passed on to another even though the *gaddi* is, for the moment, secure.

The Allahabad byelection can, perhaps, be wished away. The other albatross — Bofors — which was once thought dead and buried has emerged from its grave smelling even more putrid. This second coming is fast winning converts: there are few left today who disbelieve that key Indians cornered kickbacks. With V.P. Singh back in Parliament, he is sure to raise a successful storm on the issue. It is in this light that Rajiv's current jugglery makes little sense. Facts cannot be wished away and the truth will out.

For the business community, in particular, it is an unhappy augury. Whatever be his credentials, former finance minister N.D. Tiwari was regarded as pro-liberalisation and pro-industry. Now, he has been banished to Uttar Pradesh where he can no longer enjoy the prime minister's ear. His substitute S.B. Chavan is largely an unknown quantity in his new role. The largesse one received from Tiwari in current months, incentives which went a long way to inspire a stockmarket revival, may well be a thing of the past.

But what matters above all is that the facade of stability has been shattered. Prime ministers come and go but the corporation likes to think of itself as an entity that can never die. Even in a fast-changing environment, the industrialist or businessman would like some stability in policies and official prescriptions. Rajiv flagged off his regime with the promise of longterm fiscal policies. A start was made — a longterm fiscal policy was unveiled. It soon went back behind purdah. Currently, chopping and changing has become the order of the day. After all, if politics takes that direction, can policies be far behind?

It really makes no difference either way if a Chavan is shunted from Maharashtra to muddle his way in Delhi. In the Rajiv scheme of things, only he calls the shots. And, like a shortsighted linesman, he has been calling them wrong too often. He has probably forgotten that here too there is an umpire which will deliver its verdict come 1989.

BusinessWorld

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B.K. MODI, MD OF MODI XEROX: "I WANT ALL MY COMPANIES TO BE NO.1"

COVER FEATURE

THE MAN WHO WOULD BE KING

Bhupendra Kumar Modi, the man behind the Modi Xerox success, has an overpowering vision: to create a manufacturing empire that will straddle the office automation industry like a colossus. By the 1990s, he wants to be No.1, pushing today's majors like HCL aside. Can he make it?

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SPECIAL REPORT

ORSON: AN ARRESTING CASE

With the arrest and subsequent release on bail of former MD Shyam Bhatia, the Orson Electronics fraud case gathered momentum. The case is looking curiouser and curiouser by the day.

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ECONOMY & BUSINESS

MR: LOSING FACE

It isn't only the Congress(I) that has lost face after the Allahabad byelection. The pre-poll opinion surveys which predicted a Congress victory have thrown up question marks about market research (MR) in general. Are these doubts warranted?

■ PAGE 37

NEW BEGINNING IN BONN

Rajiv Gandhi's recent visit to West Germany marks the beginning of a qualitative change in the Indo-German economic relationship.

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Other Economy & Business item on page 40.

IN THE NEWS

HIGH-FLIER

Indian Airlines has notched up good progress in the past one year under a private sector chairman, Rahul Bajaj. The airlines has identified the task of increasing aircraft availability as its top priority.

BAJAJ: GOOD SHOW

■ PAGE 30

AVT'S MONEY PLANT

For the Madras-based A.V. Thomas group, money is growing on trees. Or, rather, plants. It has made a breakthrough in the export of tissue culture plants.

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A STRIPE FOR JATAR

Maj. Gen. S.C.N. Jatar, the man whom the Assam agitationists hounded out of Oil India, has got off to a great start at Hydrocarbons India Ltd. The company has just bagged a contract to prospect for oil in Vietnam.

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SPOTLIGHT

REAL ESTATE: WHY THE BUBBLE WON'T BURST

Prime property rates have weakened in Bombay and Calcutta, thanks partly to the acquisitive actions of the taxman. But with government bottling up supplies of land for development, there's no way real estate prices can descend closer to reality.

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HIGH-RISE BUILDING IN SOUTH BOMBAY: FALLING VALUE

GOIPORIA: INNOVATIVE APPROACH

AIMING FOR THE TOP

A leasing outfit headed by M.N. Goiporia, chairman of the Central Bank of India, has broken fresh ground by helping private sector companies set up infrastructure projects.

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A SUCCESSFUL FUSION

Fusion Polymers is planning to take on market leader Sinter Plast in the fast-growing field of water and chemicals storage tanks. Fusion believes it has the technology to make a fight of it.

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IN SEARCH OF QUALITY

The Bangalore-based Telecom Quality Assurance Circle is emerging as the main centre for quality assurance in telecommunications equipment.

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COMMENT

CAN QCs TAKE ROOT IN INDIA?

Quality Circles (QCs) are all the rage in Japan. But their application in India, with its totally different culture, is debatable.

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BANKING OVERSEAS

The Indian bank branch network abroad has received a couple of body blows of late. It is now slowly recovering.

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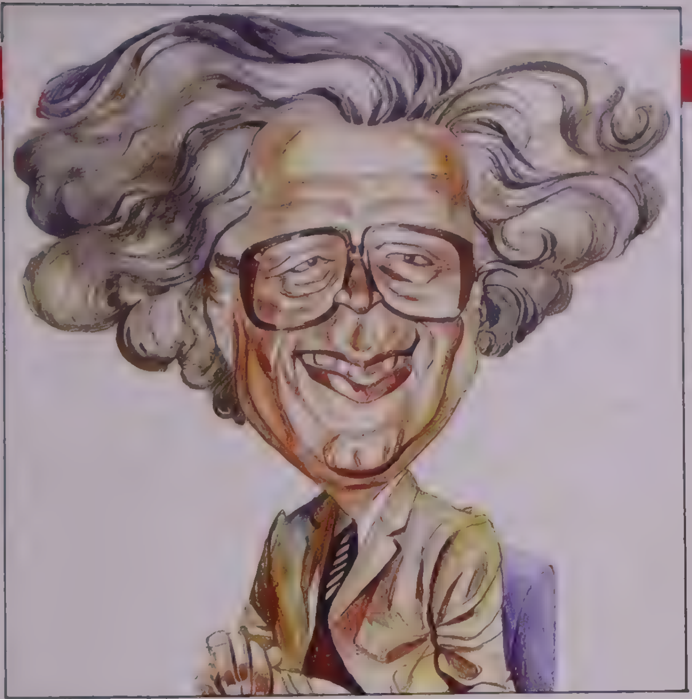

HUSSAIN: LIBERALISATION GURU

PERSONALITY

ITINERANT IDEOLOGUE

Planning Commission member Abid Hussain is one of the chief advocates of Rajiv Gandhi's liberalisation march. A close look at the man, and what he stands for.

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INTERNATIONAL NEWS

SONY'S GLOBAL WAVES

Sony Corp., the legendary Japanese audio-video company, is moving a significant portion of its worldwide production to low-cost countries

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OLYMPICS: MARKETING GAMES

These days the Olympics are as much about business as they are about sport. Multinational companies have realised the immense commercial potential of the games and are rushing to grab the opportunity.

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GOLD'S GLITTERING FUTURE

With global gold production increasing at a fast clip, the Geneva-based World Gold Council is launching a campaign to promote the yellow metal's use — primarily as jewellery.

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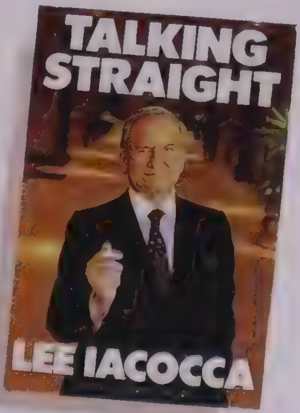

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What is Chrysler chairman Lee Iacocca's contribution to managerial wisdom? Hear him in his own words in an excerpt from his book *Talking Straight*.

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GOENKA: EPIC QUEST

With the raids which pitchforked the RPG Enterprises group onto the front pages last March not yet out of the public mind, this Calcutta-headquartered Rs. 1,000 crore turnover business house is using an epic strategy to refurbish its image. Starting August, two RPG companies, Ceat and Dunlop, will be co-sponsoring B.R. Chopra's 52-episode serial *The Mahabharata* on the idiot box. The cost: a cool Rs. 10,000 per minute or Rs. 4.5 lakhs per 45 minute episode. While RPG will sponsor 26 programmes, Godrej is doing the honours for the rest.

And RPG's marketing strategists are taking no chances with the group's maiden megasponsorship. Says Sanjiv Goenka of Dunlop: "Punchy ads will accompany the telecast. Given the large viewership that this prestigious serial is bound to command, these ads will reach a nationwide audience and reflect favourably on our group's image." A brand new accompanying advertising campaign in the print media might be simultaneously launched to drive the 'RPG is going places' message well and truly home. Colgate and Mafatlal have got enough mileage out of *The Ramayana*, so why should other companies not get religion too?

When Aspi Balsara made his first Promise, little did he expect that it would sell so well. The clove oil toothpaste took the market by storm and currently it commands a 15% share. Now Balsara Hygiene Products Ltd. is adding another brand to its stable — Babool.

"Babool is the first of its kind," says Balsara. "We are aiming for a 5% share in the short term. In the long term anything is possible."

Indeed, Balsara seems to have set his sights on becoming the toothpaste king of the country. "We are experimenting with other natural products. We could, for instance, come out with a toothpaste based on *tulsi*. There is a very good export market too."

Nor is he fazed by the threatened entry of Nirma. "I don't see what USP (unique selling proposition) it can have. Both Babool and Promise have distinct USPs."

If Babool clicks, then, along with Promise, Balsara will be in the big league. He himself is confident: "Babool has promise."

BALSARA: PROMISING PLANS

From shoemakers to couturiers — that's the kind of sea change coming about at Bata India Ltd., the country's No.1 footwear manufacturer. Unveiling the company's innovative marketing strategy in Calcutta last month, managing director Vijay Lamba explained that the whole idea is to become more market-responsive: "The essence is to offer the customer a range of products which will fit into his lifestyle and help fulfil his aspirations." The archetypal client Lamba has in mind is the guy with "a positive attitude to life and an active mindset aimed at achieving success." In other words, the Indian yuppie.

Increasingly, the ubiquitous Bata stores will sell — apart from shoes — a range of upmarket personal accessories like toiletries, perfumes, casual and leisure wear and sportswatches. Also coming up on the Bata shelves will be a range of audio entertainment gadgetry from Philips — two-in-ones, walkmans and pocket radios.

But will shoes get stepmotherly treatment in the new-look Bata stores? Says Lamba: "Not at all. Shoes will remain the core of our business." From toe to top, in other words, Bata will clad the compleat yuppie. These days it's more than just foot for thought.

LAMBA: YUPPIE CONSCIOUS

LETTERS TO THE EDITOR

CORPORATE
COMBAT

CLAP! CLAP!

I think your Cover Story 'Corporate combat'(*BW* June 8-21) was one of the best business articles of the last few years. It was an excellent combination of facts, details and views juxtaposed with the historical aspect.

The authors deserve to be lauded for their superb article.

V.K.NAIR
Bombay

CORPORATE BATTLE ZONE

One does hope that even as Indian companies at long last make some efforts to learn the art of 'Corporate combat'(*BW*-June 8-21) in a competitive world, they will properly address themselves to the fundamentals, such as a quality product or service; careful attention to customer needs; the right advertising; and the most effective use of resources.

Adequate attention paid by companies to such fundamentals would lead to their emerging as winners.

G.S.CHANDY
Bangalore

SUPER FEATURE

The Cover Feature entitled 'Superbanker' (*BW* May 23-June 5) was excellent. If there is a byword for superbanker, then it is none other than B.Ratnakar, the chairman of Canara Bank. Calling him a banker genius would not be an overstatement. In a country like ours where innovation and change are alien concepts, the case of B.Ratnakar is quite different. And since any innovation introduced by a person always meets with resistance and criticism, BR's case is no exception. But he has come out with flying colours.

P.RAMESH
Bangalore

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SUDHIR MEHRA
Bankers Press
New Delhi

WATCHING THE WATCHDOG

In the June 8-21 issue, the Spotlight article on 'Monopolies Commission-Effective watchdog' made interesting reading.

I would like to inform you that N.P. Bhat, director general of the MRTPC, had addressed the members of the Indian Merchants' Chamber on 7June and had clarified the ideas around which the MRTP Commission was set up and had explained its functioning.

However, just the day after he spoke at the IMC we read in the press that the department of telecommunications has started a scheme under which a person can get a telephone connection after paying Rs.30,000 as a non-interest bearing deposit to the telephone department. I immediately wrote to Bhat giving this information and drawing his attention to the fact that though this amounted to an unfair practice, public sector units (PSUs) are encouraged to undertake such schemes, since the provisions of the MRTP Act are not applicable to them.

BHAT: PLEASE BUTT IN

I have, therefore, suggested that something should be done by which the MRTP Act is also made applicable to PSUs so that they are on a par with the private sector companies in all respects. Various chambers of commerce have also taken up this matter with the government, but with no result.

NALIN K.VISSANJI
Bombay

SHAW WALLACE CLARIFIES

This has reference to the Spotlight article on the MRTPC (*BW* June 8-21).

We wish to draw your attention to page 39, column 1, where you have mentioned: "United Breweries Ltd.(UBL), Vijay Mallya's liquor company, has been hauled up by the commission for advertising liquor brands indirectly. Liquor advertising is banned in India, but UBL and other companies like Shaw Wallace carry full page ads in magazines which apparently sell cologne, soda, mineral water and playing cards having identical brandnames as the liquor."

We are surprised to see the name of Shaw Wallace being mentioned as we do not market cologne, soda, mineral water or playing cards and, naturally, do not advertise the same.

ADITYA BHATTACHARJEE
Publicity manager
Shaw Wallace & Co.Ltd.
Calcutta

BW's PERESTROIKA

I am very glad to see the new profile of *BusinessWorld* and the introduction of some new columns. *BW* has been very informative and useful for me. Being a management student, I was looking for some magazine which would give me an overall perspective of Indian business. But for some reason, I was not satisfied with the old *BW* to that extent. I tried some other magazines, but I was not impressed by them either.

Recently I saw a very attractive issue of *BW*, which has undergone *perestroika*, or reconstruction. These changes are welcome, specially the introduction of the column on the ad and marketing world.

KAPSE SURENDRA P
Bombay

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AT THE CROSSROADS

Very well. In the recently held byelections to 11 constituencies, the Congress(I) hasn't done too badly. Rajiv Gandhi can take some consolation from the fact that the Congress(I) was not pushed off the map. It is still around, no doubt nursing some psychological wounds, and time can heal those. But what can we say about the Allahabad byelection to Parliament in which Vishwanath Pratap Singh scored a resounding victory?

It will be claimed that Sunil Shastri was a push-over, but that is not the whole truth. Shastri is not an unknown name in Allahabad. He is a true-born Allahabadi and in the years past, both his elder brother and his highly respected father, the late Lal Bahadur Shastri, had been returned from the constituency with ease. What was it that overturned the Congress(I) applecart this time around?

It has been said that the Congress(I) waited too long to name its candidate and when it finally did so, it was something of a letdown. It has also been suggested that there were dissensions and bickerings within the Congress(I). On the other hand, some Congress(I) supporters are believed to have vented their anger and dismay at being let down by Amitabh Bachchan. One more factor can also be conceded: the entry of Kanshi Ram, the scheduled caste candidate, into the fray, may have taken away from the Congress(I) what in the past were assured votes.

Speaking for Vishwanath Pratap Singh it may be argued that since he had once been the chief minister of Uttar Pradesh, he was no stranger to Allahabad. It is also an established fact that Lal Bahadur Shastri considered him his fifth son. There was, then, no real personality clash between the two main contestants. There were other factors, too, in favour of Singh. Bofors and the West German submarine scandal were easily the most talked about subjects among the common people.

Easily the most important factor in Singh's victory was the Opposition's unity. The Opposition vote was not tragically split. For 40 years the Opposition has functioned as if victory did not matter and that the *izzat* of individual parties did. In the circumstances, the Congress has invariably romped home with comfortable majorities, especially in three-cornered fights. Opposition parties plainly refused to learn the lesson or take recourse to the copybook maxim that in unity lay strength.

It is no secret — forget the fluke 1984-85 elections — that at no time in history has the Congress, even under the redoubtable Jawaharlal Nehru, won more than 50% of the popular vote. The Congress has ruled on a minority vote and revelled in the fact. But Allahabad indicates that for the first time in 40 years there has been a perceptible sea change in Opposition attitudes. Is it a sign of things to come?

There are barely 18 months left for the next general elections. As we have seen in the recent byelections, that except perhaps in Allahabad, Bofors did not make any meaningful impact on the voters' minds. Traditional loyalties still hold. In other words, the Opposition would be foolish to bank on Bofors to ensure it victory come 1989-90. The public has a short memory and forgiveness and forgetfulness come easy. And if Rajiv Gandhi can establish peace in Punjab and the Sri Lanka issue is settled without further bloodshed, we may rest assured that the Congres(I) will not be easily subdued. To win the next general elections, the momentum of the anti-corruption platform should be maintained. And what is more, the Opposition parties must not only get together, but must *seem* to get together.

The Allahabad elections have more or less marginalised both Bahuguna and Chandra Shekhar and their best years are now over. Chandra Shekhar's unprincipled behaviour in seeking to tie down Ramakrishna Hegde of Karnataka has merely boomeranged on him and he has lost what little credibility he had, in the process. But the Jan Morcha cannot go it alone; it has to have all-party support and the next few months will prove to be crucial.

The most important factor in V.P. Singh's victory was the Opposition's unity

N.T. Rama Rao, it is true, has spoken off and on about a Bharat Desam party on the model of his Telugu Desam, but the idea has never taken off. Too many egos are at stake with too many aspiring for the prime ministerial *gaddi*. This cannot go on for ever. The Opposition must come to an agreement over who should be the next prime minister should the Congress(I) be bested in 1989. But it cannot happen unless the Opposition really works towards success. This it can do in two ways: it can fashion an umbrella party with a clearly named prime minister and a shadow cabinet so that the public knows well beforehand who will come to power. On the other hand, the parties can retain their individual existence but come to an electoral understanding largely based on the results of the last elections.

But for Bofors, the scandal which broke accidentally, the Congress(I) would have had a safe passage because the Opposition did not have a leg to stand on earlier. In the circumstances, almost 30 months were wasted. No more wastage should be allowed. Devi Lal, for one, has publicly gone on record as saying that he is rooting for V.P. Singh as prime minister. It may not be a bad choice. He has the necessary pedigree and he has been sufficiently bloodied in politics, for his candidature to be taken seriously. But the important thing is for the Opposition to formulate unity proposals. If it fails to do so, it would only have itself to blame. And what good would that do to the country?

■ *M.V. Kamath*

The author is a former editor of the Illustrated Weekly of India

BEGONE WITH THE WINGS

One of the newest product categories to have emerged and stabilised in recent times is the electric mosquito repellent.

The mosquito menace has been dealt with in changing ways over the years. Among the early entrants was Balsara's Odomos, a cream for body application. It is still a market leader, with steady sales in the smaller towns. The mosquito coils (market leader — Tortoise) came in next to cater to those with a distaste for a sticky skin.

30 MATS
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3

HI-TECH MOSQUITO FIGHTER

After that it was the electric mosquito repellent which sought to rescue the consumers from smoke-filled rooms and the fear of having a burning coil lurking around at night. The concept of the new entrant was simple: after the initial investment on the gadget, replaceable mats were available which had to be changed.

The pioneer Vape never did too well because it was alone in that product category. Consumers were afraid that after buying a gadget. they would suddenly find that the mats were unavailable.

The product category started growing only with the influx of numerous other brands. The pattern has shifted to make Good Knight of Transelecktra the market leader, followed by Casper, Watchman and Vape as the hangers-on.

Now another major has made a belated entry — Balsara itself. The company is introducing Odomos mats. The product is being priced at Rs. 75, which makes it somewhat cheaper than the others. The mats will be priced at Rs. 27 for 30. Given the fact that the Odomos brandname is already well-known, Balsara should give the established units a run for its money.

There are other new entrants too. The product variation just introduced is All-out, an instant mosquito repellent which advertises itself as the "liquid concept." Here, the mat is replaced by a bottle of repellent liquid, which needs to be changed every 30 days, unlike mats where a fresh one is required each night.

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INSTANT MOSQUITO REPELLENT

ALL-OUT TO CAPTURE THE MARKET

The All-out gadget is priced about 30% higher than the conventional ones. The subsequent cost works out to Rs. 1 per room per night. Although the price difference is negligible, the product is facing resistance from consumers on the same grounds — no other liquid bottles are available. Should All-out flop, the gadget will be rendered useless.

The problem is likely to snowball as retailers have only stocked the original gadget-cum-bottle packs. Few outlets have had the foresight to purchase replacement bottles as well.

The manufacturer, Karamchand Industries, is, however, hopeful of creating a niche in the upper income markets on the product's aesthetic appeal alone. The pack profile is extremely attractive.

Mosquito repellent is evidently a market which is getting a lot of bites.

UN'APPILY EVER AFTER

If the Indian consumer products market has had one constant losing bet, it is apple. There has been a series of failures with this flavour. First was Mohan Meakin's Gold Coin apple juice which never did too well even in the launch days. Then came Cadbury's disaster Apella — the sort of stuff case histories are made of. More recently, Parle's tetrapacked 'appy never had a ghost of a chance of joining forerunner Frooti. And now, Food Specialities Ltd. (FSL) is regretting its ill-considered move to launch an apple flavoured Cerelac.

But the weaning wheat cereal learnt little from earlier disasters. Wheat-apple met with a poor response.

FSL was quick off the mark with its next launch — wheat-orange.

Orange has historically proved a far more acceptable flavour. For instance, the soft drink concentrate Rasna gets 80% of its Rs. 20 crore turnover from orange despite the availability of 10 other flavours.

If Cerelac-orange clicks, as well it may, one could see the launch of Nestum (rice cereal) orange and even a Lactogen with orange flavour. Indeed, orange seems to have become the apple of one's eyes these days.

CERELAC APPLE: POOR RESPONSE

Nestlé.
Cerelac
Nestlé.
Cerelac
Instant milk cereal
Wheat Apple
NEW

ALL THAT GLITTERS...

The glitter seems to be peeling off Gold Cafe. After a dream launch, the 100% coffee from Indodan Industries has had a taste of bitterness. General manager Partho Ghosh has quit. So have a number of salespeople who were trained at considerable cost to push Gold Cafe. Some say they got the sack. That is immaterial; what matters is that Gold Cafe does not have enough marketing men to battle it out with Nescafe. Will the masterplan fail for want of foot soldiers?

■ *Kavita Gursahaney*

The author is a Bombay-based marketing executive.

REACHING OUT TO BUSINESS

Business-to-business advertising is not a commonly used term in India. The concept itself is also not understood too well. Often, it is confused with industrial advertising. In its real sense, business-to-business advertising covers the full gamut of promotion and publicity activities directed towards all forms of business and business houses rather than to the final consumer of finished goods and services.

Questions may be raised as to what is so special about business-to-business advertising. Is it harder to do, requiring skills that do not apply, for instance, to conventional forms of consumer advertising? The answer is yes. First, the target audience is generally smaller, more discriminating and better informed than the public at large. Take a computer system for instance. Admittedly, the potential buyer in industry is *per se* a consumer. But that is merely playing with words. The process of persuasion and decision-making is very different in selling to industry. It is generally harder to do so. Because the industrial advertiser's products and services are more complex, costly and more crucial to the commercial well-being of the purchaser, the latter's decisions will be reached more slowly and with greater care than those involving ordinary consumers such as housewives. Moreover, in the majority of cases, no one individual will be making the buying decision. There will be a lot of influencers carrying considerable weight.

The promoter of goods and services to industry will thus have to put his case more effectively. He must, therefore, use more than one medium of advertising. He will have to employ other forms of communication like printed literature, direct mail, exhibitions, press relations and perhaps films and video. This means he will need some understanding of these media and some expertise in using them, or in assessing and employing the services of others with special skills in these fields, like an ad agency.

SMALLER BUDGETS

It is also true that, with some notable exceptions like banks, oil companies and public utilities, the business-to-business advertising manager will have to make do with budgets that are very much smaller than those commanded by his counterpart in the consumer products field. What is more he will be required to cover a rather wider field of operations with his limited funds.

This means, in sum, that one must get cracking from the word go. Before starting a business-to-business advertising campaign, one needs to ask, and effectively answer, what one wants the campaign to achieve and in what space of time? If, for example, the need is simply to liquidate inventory as quickly as possible, the kind of advertising undertaken is going to be different from what would be appropriate for a long-term operation to improve the understanding of the company's product range and its activities.

The first and most obvious objective of business-to-business advertising is to sell more goods. Advertising can help with the selling of established industrial goods and services, but it can be much more valuable when there is something new to offer. To promote awareness of the existence of a new product may in itself be sufficient reason to advertise. Advertising can be an important weapon in a competitive marketplace. These are some of the basic reasons, among a host of others, for using advertising media to assist the selling operation. It can support and extend the activities of salesforces, going ahead of them, backing them up, helping to make their work easier and more efficient, and thus more effective.

Properly directed, advertising can reach out to the target marketplace, convey information to a wide segment of the audience there, persuade them on the merits of the product and create demand. From the response it draws, it can also help considerably in shaping products and services to needs.

Advertising, it needs to be remembered, should never be divorced from company policy. Advertising can help to create an understanding of and respect for the kind of business one is in. It can communicate the company's skills and achievements, help to establish a good reputation and build trust in the enterprise and its products. Not many businesses appreciate the value of ensuring that their advertising manager is well informed on policy matters. The manager spending the company's money is going to be cost-effective only if he knows about and fully shares its business goals.

Before starting a business-to-business advertising campaign, one needs to ask what one wants the campaign to achieve

Further, business-to-business communication, to be effective, need not necessarily have to shout louder than others. Nor is it merely a matter of stating those things which one knows to be significant about the business. Good communication is not achieved by making grandiose, self-congratulatory pronouncements about products and services. One more negative factor is that effective communication is very rarely achieved by a one-off exercise.

So business-to-business advertising has to be judged not from the company's own standpoint, but from that of the intended target audience. One has to put oneself in the customer's shoes, forget what one already knows about the subject, and assess it from a viewpoint of relative ignorance. As it is proper to assume that the audience will be indifferent, if not hostile, the message will have to be couched in terms designed to engage interest and win empathy. One has to tell people things about the product which will benefit them. Besides, one has to keep the message simple and yet sustain it. And given the resource constraints, that's a tall order.

■ *Sushil Bahl*

The author is general manager (publicity & PR), Greaves Cotton & Co. Ltd

Now he can check files a thousand miles away.

Crompton Greaves

The Thapar Group

Lives are changing with Crompton Greaves

Crompton Greaves has developed personal computers, facsimiles, modems, LANs and associated software for instant inter-office data communication and retrieval over great distances.

In short, Crompton Greaves has entered the fast moving, rapid-fire area of computers. It is perfecting a range of micro and mini computers which can talk to one another, hundreds of miles away. Local area networks have been developed to produce co-ordinated data from a battery of PCs in an organisation. There is a software development centre to generate computer software, tailor-made for Indian conditions. CAD systems and civil engineering design software that converts architectural designs into engineering parameters are ready to go to work. A systems engineering group integrated with R&D will build customised systems for office automation and industrial process control. Software for retailers, pharmacists, accountants, restaurant owners, canteen owners, teachers and doctors are now on stream.

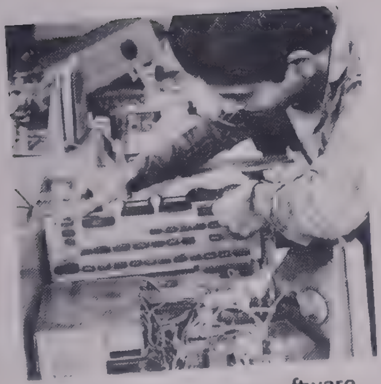
This launch into computers will optimize the productivity of human and material resources across the spectrum of industry in India.

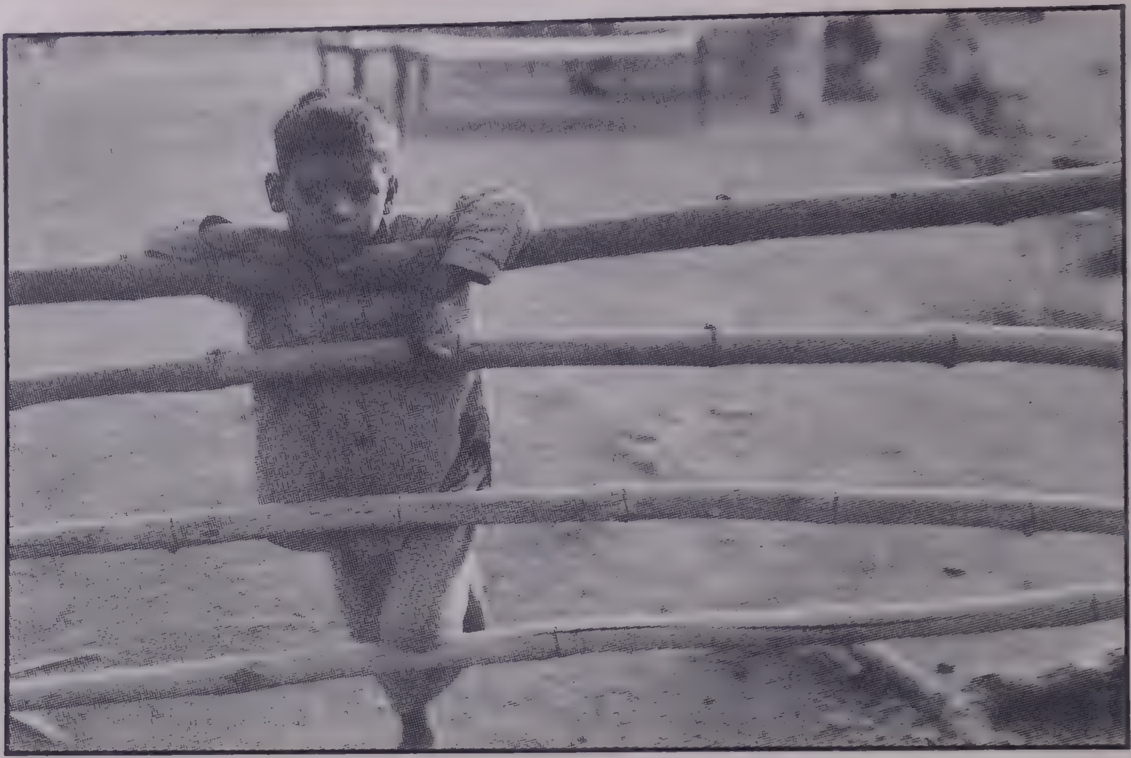
Crompton Greaves. A Rs.300 crore company moving into the future with new technologies. And new products for better living.

Crompton Greaves LIMITED

We were the first. We are the future.

ULKA-CG-C-2 88





By the time he's six years old a child has to fend for himself. All because we squander money — enough to provide a decent education to 100 million children like him.

Ironically, the magnitude of the fact doesn't affect us. We've got better things to worry about. There's another word for this attitude. Apathy.

Yes, everyone of us has contributed to the loss of Rs. 2000 crores — every year!

By wasting petroleum. On the road. In the kitchen. In the factory. On the farm. Through the use of obsolete fuel-guzzling equipment. Poor maintenance practices. Inefficient methods of operation.

A conscious effort from you can stop this waste. Effort that not only conserves petroleum but also bands together solitary voices. We want you to write to your newspapers. Form action groups. In clubs and colonies, offices and organisations.

We need your help to spread the message of petroleum conservation.

And we hope, you're not going to be a part of the silent majority. Who'll turn this page and say,

"Who Cares!"

P C R A

Write to us. Talk to us. Come and meet us.
PETROLEUM CONSERVATION RESEARCH ASSOCIATION
1008, New Delhi House, Barakhamba Road, New Delhi-110 001. Ph: 3310006, 3319066

HTA 5371

ORSON ELECTRONICS: ARRESTING CASE

The war of words has been replaced by words of war Said Manu Chhabria: "We are capble of filing a criminal conspiracy uit against them." He was referring o Shyam Bhatia, former managing lirector of Orson Electronics, and his colytes who have been accused of mbezzling Orson funds. In late June, ven as the police went through the arce of formally arresting Bhatia and nother ex-Orson executive and reeasing them on bail, the chief target f Chhabria's wrath was equally beligerent himself. "Even a cornered rat vill fight. And I am a fighter," Bhatia old *BusinessWorld*.

Whichever way the battle is ultinately resolved, one thing is certain: here is going to be a lot of public airng of dirty linen.

It's already begun. The Chhabria amp struck first. In a first informaon report (FIR) filed last February vith the assistant commissioner of olice, crime branch (CID), Orson's ompany secretary S. Radhakrishnan ccused Bhatia and nine others of mbezzlement of funds and other anky-panky that set the company ack by close to Rs. 6 crores. Stung, hatia has launched a counterffensive to clear his name. While eeping his cards close to the chest, e has left newsmen who have met im in no doubt that, if pushed, he oo can bring a few aces into play. hatia declines to spell out his line of efence against the Orson manageent's accusations, but offers a little uiz instead. Why has Manu Chhaba been unable to retain top profesonals in his Indian companies? low does he propose to pay off the ebts he has incurred in hard curreny for the companies he acquired in ndia through offshore deals? Why oes Sony of Japan want to break its eup with Orson? Do his overseas ading companies generate the kind f money to service these debts? Why ren't Orson's accounts for 1986-87 eing published even though it's most 10 months since the accountng year ended last August?

o answers. There are, as yet, no answers to these questions, but the implications are obvious. The Chhabrias, too, may have a couple of skeletons in their cupboard and Bhatia, if pushed to the wall, can make them rattle. And loud. Whether Bhatia's implied threats are empty or not will be known in due course, but it may be worthwhile looking at the kind of things he's been accused of.

Broadly speaking, the Orson management has levelled charges of embezzlement and misappropriation of company funds under eight heads.

- Fake purchases of materials for R&D. Amount involved: Rs. 31 lakhs.
- Temporary misappropriation of cash to the extent of Rs. 8 lakhs.
- Manipulations of invoices and purchase orders. The cost to the company: a whopping Rs. 1.20 crores.
- Faked invoices relating to capital expenditure (Rs. 27 lakhs).
- Submission of fake repair and painting bills for Rs. 3 lakhs.
- Faked advertisement bills. The cost to Orson: Rs. 80 lakhs.
- Fictitious purchases of local raw materials on account of associate companies. The total involved: Rs. 40 lakhs.
- Other manipulations under various heads of expenditure — an omnibus total of Rs. 2.85 crores.

The Chhabrias, too, may have a couple of skeletons in their cupboard and Bhatia, if pushed to the wall, can make them rattle

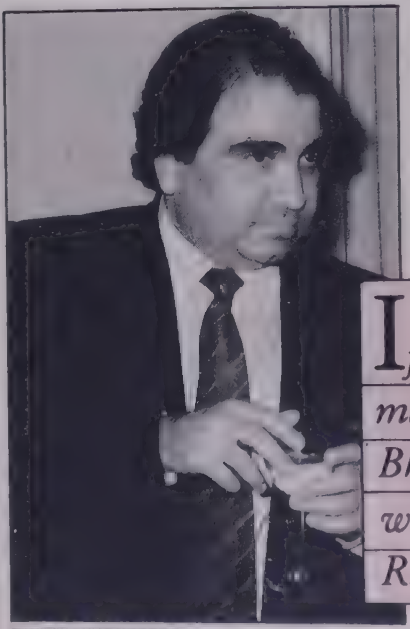
If Orson ever manages to make its charges stick in court, Bhatia and his other co-accused will have to account for a cool Rs. 5.94 crores. And what is more, Chhabria has let loose an investigative team from Shaw Wallace to go over Orson's books with a fine toothcomb in his bid to nail Bhatia. "We have quite a bit of evidence to prove our case," says one of the investigators.

CHHABRIA: ON THE OFFENSIVE

Bhatia's case. Bhatia's contention is that if there has been any fraud, it doesn't have anything to do with him since, as chief executive, he had decentralised much of the financial decision-making powers. And the thrust of Orson's accusations has been that much of the embezzlement involved the drawal of small amounts of up to Rs. 2,500 at a time through cash memos for fictitious purchases. Since such small amounts don't usually go up to the managing director's level for sanctions, it would be difficult to prove that Bhatia had, in fact, pinched the money.

Sources close to the Orson management claimed to have traced the businessmen who had submitted bills for supplies that weren't made, but all that this can prove is that some fraud has been committed. The big question remains: who was the brain behind these frauds, if they were committed.

Bhatia obviously doesn't plead guilty. And, probing counterquestions apart, he hasn't been pointing the finger at Chhabria too. Observers, on the other hand, are pondering over another riddle. Why is Manu Chhabria so keen on publicising the fraud when it is clear that ultimately it is only his reputation, and Orson's, that may be besmirched? Most other businessmen, if confronted with a similar fraud, would have asked its perpetrator to quit and kept the whole matter under wraps to avoid sullying their reputations.



BHATIA: CORNERED?

If Orson ever manages to make its charges stick in court, Bhatia and his other co-accused will have to account for a cool Rs. 5.94 crores

The Orson management has, in fact, gone out of its way to nail Bhatia and has raised doubts about his source of funds to provide circumstantial evidence to prove the fraud. The FIR filed by Orson with the crime branch stresses that Bhatia must have had illegal sources of income since the lifestyle he was leading could not have been financed by the type of money Orson was paying him. Listed in the FIR were the purchase of a Mercedes car (price: Rs. 20 lakhs) the expensive furnishing of his flat (cost: Rs. 10 lakhs) and Bhatia's wife Rati's hospital bills in London. The FIR then makes pointed mention of the fact that Bhatia's gross remuneration from Orson was only Rs. 1.75 lakhs per annum, the ceiling prescribed by the government.

Such innuendoes do not quite add up to proof of Bhatia living beyond his means since few companies have followed the guidelines on managerial remuneration in spirit. Companies have usually found ways of circumventing this ceiling and Bhatia may have been no exception.

Faced with Orson's onslaught, Bhatia has not been above casting aspersions on Manu Chhabria's motives. He suggests that Chhabria's Indian acquisitions — Shaw Wallace, Mather & Platt and Hindustan Dorr Oliver, among them — must have been financed by raising debt in hard currency abroad. While the Shaw Wallace takeover cost Chhabria $27 million, Mather & Platt and Hindustan Dorr Oliver swallowed another £14 million and $11 million respectively. Since the repayment obligations, including interest, over 10 years would be approximately twice the borrowed amounts, how is Chhabria going to finance them? Besides that, Bhatia believes that Chhabria's proxy war on the eve of the battle for control of Shaw Wallace in 1986 must have cost a pretty packet too. Where did that money come from?

Bhatia would obviously like to conclude that this money came from bilking Orson, but his counter-allegations — like that of Chhabria against him — are far from proven.

Perhaps a bigger puzzle looming behind this whodunit is why Bhatia and Chhabria fell out in the first place

Bigger puzzle. Perhaps, a bigger puzzle looming behind this whodunit is why Bhatia and Chhabria fell out in the first place. The two were, if not thick as thieves, at least on friendly terms. Bhatia, at any rate, had expressed himself to be quite happy with Chhabria's style of management when *BusinessWorld* spoke to him last year. "Mr Chhabria's style is to set ambitious targets and to provide us the financial resources and support to attain them," he had said at that time. But now Bhatia believes that Chhabria had never really shed his trader's approach to making money. (All of Chhabrias overseas companies are trading companies.)

One reason for the breakup could be that Chhabria sensed a potential business rival in Bhatia. It is no secret that the latter nurtures ambitions to launch out on his own. He has already taken the first step by setting up a company called Action Electronics to market television sets manufactured by small scale units. The company will initially offer design and marketing support to small TV manufacturers and proposes to get into manufacturing itself in due course.

To make matters worse, Chhabria's Japanese parther, Sony, is believed to have sought to pull out of its tieup with Orson. Chhabria and Sony together own a Hong Kong outfit called Somtron in the ratio of 60:40. Somtron, in turn, owns over 70% of Orson. Did Chhabria suspect that Bhatia was trying to elope with Sony?

Bhatia says Sony has not offered him any such tieup and so the question does not arise. And, in any case, business rivalry does not appear to explain the vehemence of Chhabria's efforts to put Bhatia in gaol.

Whichever way the drama ends — with a Chhabria victory, his defeat or even a stalemate — one fallout will be certain. Both Chhabria and Bhatia will be much diminished men after the event.

■ *A special correspondent*

REAL ESTATE

WHY THE BUBBLE WON'T BURST

Despite a weakening in prime property rates in Bombay and Calcutta, there is no real prospect of prices coming down to reasonable levels. That's because the government makes the supply side artificially inelastic.

NARIMAN POINT: BOMBAY'S BEST BUSINESS ADDRESS

Newton can rest easy in his grave. Real estate prices are showing signs of respecting the laws of gravity after all. The property market, which at one time appeared to have been recession-proofed, has suddenly been gripped by a fear of flying. And in the principal metropolitan conurbations of Bombay, Delhi, Calcutta and Madras, speculators in the prime property *bazaar* are running for cover: to the distant suburbs, to the midi-towns, and even to the stockmarkets, where the action has livened up. Overall, real estate prices have begun stabilising where they aren't actually falling, and rising more slowly where they were once galloping.

In Bombay, the epicentre of speculative activity till recently, prices have collapsed in an area considered to be the best business address in town: Nariman Point. After peaking in the range of Rs. 3,000-4,500 per sq ft around end-1986, commercial space in this business district is now changing hands between Rs. 2,500-3,500 per sq ft, with the higher ranges being applicable to the more prestigious buildings in the area and the lower ranges to the not-so-fancied ones.

Residential property presents contradictory trends, with some of the city's back-of-the-beyond suburbs such as Thane, Mira Road, Nalla Sopara and Bassein ballooning in value. But this has been more than counterbalanced by a weakening tendency in suburbs like Malad and Andheri, where some builders are reported to have unsold flats to the extent of 30% of the number they built. "Prices are bound to fall," says R.W. Gudal, a prominent city architect and a close watcher of the real estate scene. "There are now few buyers for flats at the present high levels."

STUDY IN CONTRASTS

The country's biggest metropolis — Calcutta — offers a similar study in contrasts: booming suburbs and weak-kneed downtown centres. While in the central business district of BBD Bagh (formerly Dalhousie Square), property values are holding steady around Rs. 900-1,000 per sq ft, the more upmarket residential areas of Park Street, Ballygunge and Alipore have experienced dramatic declines. From levels of Rs. 750-800 some two years back, prices have crashed to around Rs. 600-650 per sq ft. But previously unfancied localities like Lake Town and Manicktala have seen residential property prices appreciating by Rs. 100 per sq ft over the same two-year period to around Rs. 400 now. "Congested and posh areas, which (previously) commanded premium prices, are now witnessing price resistance from customers," confirms K.N. Fatehpuria, managing director of Martin Burn Ltd. and Calcutta's top real estate developer.

Unlike Bombay and Calcutta, neither Delhi nor Madras have much to show by way of a weakening in the real estate market. For two main reasons: the absence of excessive property speculation and the lack of adequate infrastructure in the outlying areas. The latter inhibits the trend towards suburbanisation, keeping property prices at the city centre artificially high. "People are reluctant to move to the outlying areas because the transport system is not good," observes V.P. Khungar, executive director of the Delhi-based property developer Ansal Properties & Industries (Pvt.) Ltd. Adds Abraham Thomas, a director of the Madras-based Southern Investments group: "In the south, property is not (usually) a speculative transaction; it is a lifetime investment. So there is small possibility of prices declining barring in states like Kerala, where the end of the Gulf boom has seen prices fall."

Even in Delhi and Madras, however, real estate developers see a fly in the ointment: the taxman.Under s.37-i of the Income Tax Act, which came into force from 1st October 1986, all property deals in the four biggest met-

RESIDENTIAL BLOCKS UNDER CONSTRUCTION

ropolises valued at more than Rs. 10 lakhs must be registered with the 'appropriate authority' (AA) three months before the actual transfer. If the taxman suspects that the property being transacted is undervalued, he can grab it by paying the registered price.

SALUTORY RESULTS

The results have been salutory. While acting as a damper on speculative purchases, it has also marginalised the role of non-cheque payments in real estate transactions. "To a great extent, the black money component has been controlled. People are scared now to buy and sell properties this way," says Altaf Pasha, chairman of the Madras-based real estate firm Alsa Investments Pvt. Ltd.

According to figures available with the Central Board of Direct Taxes, till February 1988 the AA swiped as many as 190 properties for a total purchase price of a staggering Rs. 60 crores. Sixteen of these were put on the auction block, fetching the taxmen Rs. 8.5 crores against a purchase price of only Rs. 5.5 crores. This implies that Rs. 3 crores was the extent of undervaluation of these 16 properties.

The weakening of prime property rates in cities like Bombay and Calcutta owe not a little to the acquisitive streak of the tax authorities. The latter also explains, to some extent, the runaway rise in prices in the suburbs of these two cities, in the second-rung metros of Bangalore and Hyderabad as well as in the midimetros of Pune, Baroda, Bhopal and Vishakhapatnam, among others. The addition of more metros to the AA's hit-list could inhibit this shift to lesser cities. Bangalore and Ahmedabad have already been brought under s.37-i and more may be added shortly.

The weakening of prime property rates in cities like Bombay and Calcutta owe not a little to the acquisitive streak of the tax authorities

The boom, however, is in many ways artificially propped up by restricting supplies. In Bombay, the haphazard implementation of the Urban Land Ceiling Act (ULCA) has had the net effect of keeping the supply of land for development blocked. "About 2,000 hectares of land are lying vacant in Bombay because the government has not yet given no-objection certificates (NOCs) to those who want to develop the land," says Chandrakant Gosalia, a member of the Maharashtra legislative assembly and an architect himself.

The reason for this is simple. NOCs are issued only by a cabinet subcommittee which meets very rarely. The result: only builders with clout can get their NOCs. "The big builders are happy. This keeps real estate prices high and they can make a killing," Gosalia points out. Government NOCs thus are a licence to builders to print money. Conversely, if the government were only to rationalise the issue of NOCs, property prices would immediately attain more reasonable levels.

INDRA PRAKASH, A DELHI BUILDING CONSTRUCTED BY THE ANSALS & (INSET) KHUNGAR: NOT ENOUGH LAND

Artificial restrictions on the supply of land keep prices at a high perch in cities like Delhi and Madras as well. "The bulk of the land in Delhi is today controlled by the Delhi Development Authority (DDA), so private land cannot be bought. There are, therefore, more buyers than sellers in the older established colonies," says Khungar of Ansal. In Madras, there is a ban on buildings having more than three residential flats (or more than 300 sq m of living area) in areas where the roads are less than 10 metres wide. "Since the bulk of the city's roads are 30 feet wide, marginally below the 10-metre limit, it means you can't do real estate development along these roads," says Thomas of Southern Investments.

The combined effect of the taxmen's offensive and the irrational restrictions on the supply of land for development can be seen in two opposing trends: the fall or weakening in high-cost real estate values downtown and the corresponding rise in previously affordable suburbs and smaller towns. The real estate speculator has moved on to a different patch. In the following articles, *BusinessWorld* takes a close look at five major metropolises to see the micro-trends that underpin the overall movements in property prices.

BOMBAY

THE BOOMING SUBURBS

Erase that mental picture that all real estate developers like property purchasers to have: that Bombay is an island where land will be increasingly in short supply. Ergo, prices have nowhere to go but up.

It's a half-truth at best. The other half of the picture then: several thousand hectares of unused industrial land; large tracts of ceiling surplus land bottled up for years; and several thousand properties that could be profitably redeveloped if only archaic rent control laws were thrown out of the window.

Ever since the government announced its industrial location policy in 1977, there has been a virtual ban on new industries coming up or old ones expanding within Bombay city. Companies with lots of unused industrial land, Godrej among them, then put in applications to use such land for housing. But the politician-bureaucrat-big builder nexus has seen to it that there is no sudden jump in the supply of land that would upset their own assiduously built applecarts. "In all 176 applications for using industrial lands for housing have been made. Some 72 of them have even been forwarded to the state urban development department for clearance. Not one has been cleared," says city architect R.W. Gudal.

COSY RELATIONSHIP

According to Gudal's estimates, the total amount of free industrial land could add up to a staggering 35,000 hectares.

Obtaining no-objection certificates (NOCs) for the development of land in excess of the ceilings prescribed under the urban land ceiling laws has been equally difficult. Applications for NOCs are considered by a cabinet sub-committee, which, on the rare occasion when it meets, clears only a few applications at a time. Chandrakant Gosalia, a city MLA and architect, alleges that the big builders have a cosy relationship with the government since pressure on existing land enables them to make a killing. "The big builders with NOCs can encash them with the help of the government and the bureaucracy," charges Gosalia.

> *The big builders with no-objection certificates can encash them with the help of the government and the bureaucracy*

It is, therefore, little wonder that real estate prices have been going up, up and away. The marauding taxmen have been unable to reverse the tide, though it is true that prices in the commercial hub of Nariman Point in south Bombay have withered under the onslaught. According to P.N. Malik, commissioner of income tax and one of the three-member appropriate authority constituted to decide on the acquisition of undervalued property, over 80 properties have been acquired in Bombay alone in areas like Nariman Point, Bandra, Napean Sea Road and Walkeshwar — all premium addresses.

But the big builders and property tycoons have already struck back to stymie the taxmen. More than half of these acquisitions have been challenged in court and till early June barely six of the properties had been auctioned by the AA. Meanwhile, the big builders have banded together to prevent interlopers from walking off with their undervalued property at the auctions.

HIGH-RISE BUILDING IN BOMBAY: THE PAYMENTS ARE ALMOST AS WHITE

Though the efforts of the big boys to keep property prices from falling in the business districts have not met with much success, the booming suburbs serve as weathercocks to show which way the hot money is flowing. Suburbs like Bandra, Khar and Santa Cruz have gradually appropriated the upmarket mantle from previously fancied areas like Cuffe Parade, Peddar Road and Napean Sea Road. In barely the space of one year, prices for residential accommodation have soared from Rs. 1,400-2,200 per sq ft in Bandra-Khar to the range of Rs. 2,000-2,800. That compares favourably with the average ruling prices in Cuffe Parade of around Rs. 2,300-2,700, though rates in some prestigious buildings are admittedly higher at Rs. 3,500 per sq ft.

SNOB VALUE

A peculiarity about Bombay is the wide variation in rates for different buildings in the same geographical area. In the upmarket residential districts of Marine Drive, Malabar Hill, Napean Sea Road, Warden Road and Peddar Road for example, even though the average going rates are in the range of Rs. 2,400-3,500 per sq ft, there are buildings of the *nouveau riche* that command astronomical prices in the range of Rs. 4,000-8,000 per sq ft. Two such buildings are Swapnalok on Napean Sea Road, designed by architect I.M. Kadri, and Kanchenjunga on Peddar Road, designed by Charles Correa. The reason for this is simple. They offer the kind of exclusivity and snob value that cannot be broken down into rupees or valued on the basis of brick and mortar used. For people on the cocktail circuit, price often is no consideration.

For the *hoi polloi*, it's the downmarket suburbs with good transport onnections that beckon. In percenage terms, it is perhaps suburbs like Thane, Mira Road, Nalla Sopara and Bassein that have shown the maxmum appreciation. Residential flats hat were going for just about Rs. 350 per sq ft last year in Thane now find buyers in the range of Rs. 450-600. In Mira Road, Nalla Sopara and Bassein, he ruling prices are in the region of Rs. 350-450.

Speculators have also moved into New Bombay, the satellite township across the Thane creek, pushing prices up by hefty margins. In Vashi, he most prestigious of New Bombay addresses, residential property is being snapped up in the region of Rs. 600-775 per sq ft. Even in the predominantly middle class township of Nerul, where the infrastructure is beow par, prices have reached the Rs. 275-350 level. In Belapur's central business district, commercial propery fetches Rs. 500-650 on an average and residential flats a little more than half that. Real estate agents reckon hat in the next three to four years the gap between the two Bombays, old and new, will narrow. The development of New Bombay's Nhava Sheva port and the commissioning of a direct rail link with New Bombay by 1989-90 will send property prices through the roof. Not surprisingly, speculators are moving in for the kill.

While the sheer pressure of migration and pent-up demand for housing is a strong bull factor for real estate prices, the ultimate determinant of prices is the staying power and affluence of the investor or purchaser of property. Thus, areas inhabited by Sindhis and Gujaratis, two communities that are widely seen as being more entrepreneurial and affluent than communities such as Maharashtrians and south Indians, have shown greater appreciation in property values. Prices in areas like Marine Drive, Colaba, Cuffe Parade, Malabar Hill, Napean Sea and Warden Road, which have a fair sprinkling of Sindhis and Gujaratis, thus tend to be higher than in areas like Dombivli, where there are more Maharashtrians and south Indians.

The oncoming footsteps of the taxman, have, however, had an inhibitive effect on property transactions, if not on prices. With the eagle eyes of the AA acting as a goad towards higher declared value for property, the prospect of having to pay higher stamp duties on purchased property exerts a downward pressure on prices. Caught between the devil and the deep sea, the prime property markets have sunk into a stupor.

BOMBAY SKYSCRAPERS: THE TAXMAN COMETH

The big builders are thus having a trying time keeping property prices up. Since builders finance development by raising money from investors at usurious interest rates of 2.5%-3% per month, they have to show appreciation rates of around 50% a year to maintain the confidence of their investors. That kind of growth cannot be had in the prime property areas in Bombay any more.

The consequence: the big developers are moving to the distant suburbs and to promising cities like Bangalore, Hyderabad, Baroda and Bhopal.

CALCUTTA

CONSUMER RESISTANCE

The city of processions has never really been the favourite haunt of property speculators. So, at east theoretically, the kind of wild swings in property prices ought to be he exception rather than the rule. But as things stand now, the prime property areas are a discount over prices of just two years ago. On the other hand, genuine buyers of residential property have been quietly aking a closer look at sites and buildngs in the unfancied suburbs, giving prices in those areas a substantial push.

Broadly speaking, Calcutta can be divided into five areas in the context of the real estate market. The BBD Bagh area (formerly Dalhousie Square) forms the business hub of the metropolis and has traditionally boasted the highest prices. Then comes the central residential-cum-commercial district of Park Street, the two upper class enclaves of the *bhadralok* (gentlemen) and the *babus*. Bringing up the rear are the residential areas of Manicktala and Lake Town, both downmarket agglomerations.

While the BBD Bagh business district has more or less maintained property values over the last two years around Rs. 900-1,000 per sq ft, the upmarket areas of Park Street, Ballygunge and Alipore have seen

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stinct downward pressures. From ound Rs. 750-800, rates are down to e Rs.600-650 range now. On the her hand, property prices in the anicktala and Lake Town sectors ve been buoyed by the arrival of any middle class buyers in search a roof over their heads. Prices have sen by a third from Rs. 300 two ars ago to around Rs. 400 per sq ft. operty rates in other outlying areas e Behala, Garia, Baishnabghata and llygunge (which is the terminus int of Calcutta's underground Met- Rail) have also started ascending in ndem.

The trend is therefore clear. As in mbay, the move is away from consted and posh localities to the great yonds — a move that would have en unthinkable just a few years ago the average Calcuttan. "Newly deloping areas like Manicktala and ke Town, which were unpopular rlier, are attracting the attention of e middle income groups," says K.N. tehpuria of Martin Burn. "The uation is such that while there is rdly any demand for real estate in sh areas, there is a great rush for th residential and commercial operties in the newly developing eas."

ADICAL CHANGE

This situation is radically different m the one in the seventies and early eighties when the Calcutta market saw spectacular price rises in certain areas. At that time, speculators had moved in in a big way since they saw possibilities of making big money on the then existing low price bases of property. For example, in 1975, the going rate in Alipore's poshest areas was Rs. 75 per sq ft. Now the same property can go for Rs. 700-800. At such levels, of course, the kind of speculative gains that can be made are limited. So speculators are by and large sitting on their hands and it is the supply-demand equation that determines prices now. "I feel that only actual users will be getting into the property market because speculation by investors is completely ruled out," observes Fatehpuria.

FATEHPURIA: PRICES MORE DOWN TO EARTH

Fatehpuria also feels that the recent sag in property rates has less to do with the taxmen's acquisitive tendencies than a fundamental shift in the balance of power between developer and property purchaser. "The developer no longer has the upper hand since the consumer has a wide choice of flats and commercial space to choose from in any given area or locality."

Fatehpuria should know, since he has had experience of both: the taxman's unwelcome attention and the decline in the developer's clout. (He is Calcutta's biggest developer with an annual turnover of around 100,000 sq ft and has lately diversified into property development in New Bombay, Kanpur and Nagpur.) He has also had the mortification of seeing the taxman swipe his property on the ground that it was undervalued. In February 1988, the AA pre-empted the transfer of a 20,000 sq ft second floor premises of Martin Burn (at the rate of Rs. 875 per sq ft) to two of its subsidiary companies. Says Fatehpuria, who has since got the Calcutta high court to stay the AA's order: "The income tax authorities did not appreciate the bonafides of the transaction (which is a book transfer for all practical purposes). I can assure that no hankypanky is involved."

MADRAS

CONSERVATIVE CLIMB

Despite the frenetic rise in land prices in some premium locations recently, property deopers in Madras see a period of bility in the next three to five rs. "I see prices stabilising in Mad- because a lot of buildings are com- up," says Altaf Pasha, chairman of a Investment, a real estate firm.

Three factors distinguish Madras m the other major cities in respect real estate. One, there is a strong nand for land but not so much for s. Two, the bulk of the property rchases are for actual residential . And, three, unlike the other met- , where a few builders rule the roast, Madras has an entire army of 80-90 builders. So, builders' cartels are, practically unheard of.

Since property transactions have, by and large, lacked speculative flavour, the result has been a slow but steady climb in values. "On an average, prices rise by 10%-15% per annum," says Abraham Thomas of Southern Investments. "I see no reason why this (trend) should change in the medium term."

> *The influx of a lot of builders from outside Madras has pushed up land prices phenomenally in the prime areas in the*

The influx of a lot of builders from outside Madras has, however, pushed up land prices phenomenally in the prime areas in the recent past. "You can't get a place on Nungambakkam High Road (where the Taj group has its hotel) for love or money," says Altaf Pasha. Property values in the other prime areas of the city like Mount Road and Sterling Road have skyrocketed in the last five years. In

> The steady pace of building activity in Madras makes the purchase of real estate in Madras somewhat more affordable than in other metros

A NEW BUILDING COMING UP IN MADRAS: STEADY PRICE INCREASES

the peripheral areas, the increases have been even steeper, but that's largely because the base values have been low.

"In the last three years, land prices have increased four-fold in the areas where we have developed our properties," says Amol Karnad, president of Alacrity Foundations Pvt. Ltd., a property development firm that is owned by 25 of its senior managers. In 1988-89, the average price for residential accommodation constructed by Alacrity is expected to be around Rs. 350-375 per sq ft.

A major problem in the availability of property in Madras is the restriction on the construction of flats in areas with relatively narrow roads. Buildings on roads that are less than 10 metres wide cannot house more than three flats, or have a living area
of more than 300 sq metres. Since the
bulk of the city roads are narrowe
than this, there can be no real estate
development. "The result has been
lot of illegal construction," says Tho
mas of Southern Investments.

Illegal or not, it is the steady pace o
building activity that makes th
purchase of real estate in Madra
somewhat more affordable than prop
erties in the other metros.

BANGALORE

BUILDERS' MECCA

When the big guns of the real estate world make a beeline for any city, one can be sure that prices will not stay put. They haven't. With many of Bombay's big builders like the Lokhandwalas, the Rahejas and the Mittals entering Bangalore in a big way, property prices have taken off vertically.

Prices of residential property within a radius of 1.5-2 km of Bangalore's arterial Mahatma Gandhi Road have almost tripled over the last five years. The current prices are in the range of Rs. 500-550 per sq ft and estate agents estimate a doubling in the next five years.

In the other prime residential areas
of Malleswaram, Jayanagar and Ir
diranagar, prices have again triple
over a five-year period from Rs. 12
per sq ft to Rs. 400-450 now.

The newly developed areas
Koramangala and Banashankari Stag
II are in a similar situation. In bot
the current price range is hoveri
around Rs. 300-350 per sq ft. Fi
years back, the levels were stagnati
around Rs. 100 per sq ft.

Apart from the usual attractio
(good climate, peaceful pace, etc
there are several other factors th
have drawn builders and investors
Bangalore like a magnet.

■ Slowly, almost imperceptib
Bangalore is emerging as an altern
tive gateway to the south — an ho
our that was till recently almost e
clusively the preserve of Madr
Many companies — Brooke Bond a
Britannia among them — have mov
their corporate headquarters to Ba
alore. Even the ones who haven't

A BLUE CROSS PROJECT IN BANGALORE: BUILDING BOOM

pening up branch offices there.
With property prices in Bombay
nd Delhi heading for the moon,
angalore appears to be more reason-
bly priced in comparison.

Commercial property is now being
radually seen as investment mate-
ial. Non-resident Indians from the
Gulf, in particular, are eager to grab
uch opportunities and builders like
he Lokhandwalas have leaped into
he fray.

Says D. Subramanian, chief execu-
ve of Blue Cross Builders & Invest-
nents Ltd., a recent entrant into the
construction business: "Five years back commercial property blocks were not known in Bangalore. But now the idea has caught on."

Feroze Abdullah, proprietor of the Bangalore-based Feroze Estate Agency, is bullish on commercial property. "Prices in the central part of Bangalore will double to Rs. 1,000 per sq ft five years from now," he forecasts.

An added reason for the hardening of the Bangalore property market is the influx of people from Bombay. "Those who had acquired property in Bombay for a song some years back are now selling the same at exorbitant prices and buying property in Bangalore," says J. Swaminathan, chief executive Skyline Construction Pvt. Ltd.

A.K. Shetty, managing director of Canara Bank's housing subsidiary, Can Fin Homes Ltd., concurs: "Property prices in cities like Bombay and Delhi are too high. So people from these places are moving to Bangalore."

With this influx from the other metros gaining momentum, Bangalore is proving to be the ultimate Mecca for builders and real estate speculators.

DELHI

UP, UP & AWAY

The capital's real estate market
has always defied gravity. Be-
cause the bulk of the land has
een bottled up by the Delhi Develop-
nent Authority. Because demand for
ffice space has risen in leaps and
ounds, in line with the rising level
f commercial activity in the capital.
And also because the poor transport
nfrastructure in the fringe areas has
nhibited the large-scale movement of
eople out of the city. "The problem
s that we have not succeeded in de-
entralising the development of com-
nercial property," says V.P. Khungar,
xecutive director of Ansal Prop-
rties.

Thus, commercial land prices have
oared. Chandni Chowk in Old Delhi
s the dearest bit of earth around with
he going rate being a staggering Rs. 1
akh per square yard. Built-up proper-
y goes for around Rs. 10,000 per sq ft.
As against that, commercial property
ven in the prestigious Connaught
lace is less than a fourth of the price
t Chandni Chowk. "In Connaught
lace, commercial properties such as
he Statesman Tower, which we are
eveloping, have been booked at Rs.
,300-2,500 per sq ft," says Khungar.

Commercial land prices are rough-
y twice that of residential plots.
partments coming up in the prime
reas of New Delhi such as Prithviraj
oad and Aurangzeb Road have been
ecently booked at Rs. 1,200-1,300
er sq ft. Apart from these two areas,
residential land is highest priced in south Delhi. Within south Delhi, it is Greater Kailash, Vasant Vihar, West End, Shantiniketan, the Diplomatic Enclave, Panchshila Park, Friends Colony and Maharani Bagh that are the highest priced. Other high-cost areas of New Delhi are Golf Links, Jor Bagh and Sunder Nagar. Prices have also shot up in West Delhi — in Punjabi Bagh and Rajouri Garden, for instance.

"Greater Kailash-II is in great demand. Smaller builders are seeking it to make multi-storeyed flats, and this is pushing up land prices. Twenty-five years ago, plots there were sold at just Rs. 16-20 per square yard, but today the going rate is Rs. 12,500 for the same," says Khungar. "My guess is that in another five years land prices in Delhi may well double."

"There are four factors behind this phenomenal increase in prices," says Kailash Nath, a leading Delhi builder. They are: rapid population growth, the accelerated rate of rural migration to the cities, the increase in economic and commercial activity in the capital — which means more office space is needed — and the increase in demand for housing as a result of increases in the standard of living.

Over and above this, the Urban Land Ceiling Act and the tendency of the government to acquire vacant land act as man-made causes spurring price increases. "With the supply of land frozen, and the development authorities unable to develop the land they acquire, there is naturally an upward pressure on prices," feels Kailash Nath.

ARUNACHAL, BUILT BY KAILASH NATH ASSOCIATES

The sky, apparently, is the only limit for real estate in Delhi.

■ *R. Jagannathan*

(With reports from Gul Teckchandani and Rajshekhar Iyer in Bombay, Rajiv Shirali in New Delhi, Sujoy Gupta in Calcutta, N Raghavan in Bangalore and Chandu Nair in Madras.)

इन्दिरा गांधी राष्ट्रीय मुक्त विश्वविद्यालय
INDIRA GANDHI NATIONAL
OPEN UNIVERSITY

ADMISSION TO DIPLOMA IN MANAGEMENT, MODULE - I (Beginning January 1989

Entrance Test, September 18, 1988.

Indira Gandhi National Open University, an autonomous Institution set up under an Act of Parliament, invites applications from the eligible candidates for Entrance Test to be held on Sunday the 18th September, 1988 for admission to its 'Diploma in Management, Module-I Programme'. The basic task of the Indira Gandhi National Open University is to advance and disseminate learning and knowledge by a diversity of means including the use of communication technology. In the process it has to increasingly aim at democratisation of higher education and maintenance of high quality, covering larger segments of population, vacations and professions. Alongwith this, it has to encourage and strengthen the open and distance education system in the country.

1. Who should apply?

Module-I of Diploma in Management is open to working persons with 3 or more years of managerial or supervisory experience holding Bachelor's Degree in any discipline. The persons not having Bachelor's Degree should have acquired 6 or more years of similar experience. The Candidates under both the above categories should have attained the age of 25 years on or before January 1, 1989. There is no limit for maximum age.

2. What will you Study?

The university follows a modular approach to the programme. If a student undergoes various modules in a sequence, they would ultimately lead to Master's Degree in Management. The Master's Degree Programme would consist of four modules: Foundation courses (Module-I), Application courses (Module-II), Specialisation courses (Module-III) and Integration courses (Module-IV).

3. How long would you study under the Programme?

A minimum study period of one academic session, beginning January 1989 is required to be completed for Module-I. However, the students have the freedom to complete this programme successfully in a maximum period of 4 years. Thus people engaged in their professional or domestic chores have liberty to pace their studies depending on the time and other facilities available with them.

4. Fees

Apart from Entrance Test Fee of Rs 25/- payable alongwith the application, a course fee of Rs. 750/- will be payable in two instalments. The first instalment of Rs. 450/- at the time of admission and second instalment by 1.5.89. Examination Fee @ Rs. 20/- per course will be payable as and when examinations are taken.

5. How will your study?

The university offers opportunities for higher education through the use of distance teaching methods according to which the students will be supplied with carefully designed self-instructional printed study materials, assignments for home work, facility for the use of audio-video cassettes and counselling/tutoring at the Study Centres spread all over
Counsellors/Tutors will be available at the one of the study centres assigned to
after admission is finally confirmed. Such centres are provided in different re
country.

6. Where will you get Counselling facilities?

At one of the towns chosen by you. Hyderabad. Tirupati. Vijayawada. Guwahati.
shedpur, Chandigarh, Delhi, Marmagao, Ahmedabad, Vadodara, Rajkot, Kuruks
pat, Shimla, Jammu-Tawi, Bangalore, Mangalore, Trivandrum, Bhopal, Jabalpur,
ior, Indore, Bombay, Pune, Shillong, Bhubaneshwar, Cuttack, Rourkela, Jallan
Kota, Jodhpur, Madras, Coimbatore, Madurai, Tiruchirapalli, Lucknow, Agra,
Bareilly, Dehradun, Kanpur, Modi Nagar, Calcutta, Imphal.

7. How will you be evaluated?

i) The first term-end examination will be held at the end of the prescribed du
programme. The students can pace the studies by appearing at the subseque
examinations organized every six months in one or more courses not complete
attempt.

ii) The progress of the student will be assessed on continual basis through
which the students will be required to submit on a regular basis as per schedule
The performance in continuous evaluation (assignments) will be counted toward
as per the rules of the University.

8. What is the Entrance Test?

An Entrance Test will be held on September 18, 1988 which will contain multiple c
The duration of the Test will be 2 hours. Those who qualify in the Entrance Test w
admission by the University in accordance with the criterion laid down by it. The
available only in English medium.

A list of examination centres is given below. You are required to give First Choice
Choice in the relevant columns given in the application format. The Examination
chosen shall not be changed.

9. Other Pertinent Points

This is not a prospectus but only a brief description of the scheme. As such i
be deemed as rules and regulations. Though the University is open in na
University would make its programme accessible to all those who are otherwise e
however, reserves its right to delimit admissions depending on facilities and reso
ble with it. **As such fulfilment of eligibility conditions or qualifying in the t**
guarantee admission to the programme or to the use of any facility offered by
sity or creation of new facilities in any way.

List of Examination Centres

CODE NO.	NAME OF THE CITY
0101	Hyderabad/ Kandaswamy Lane
0107	Hyderabad-Uppal
0102	Tirupati
0103	Vijayawada
0104	Guntur
0105	Warangal
0106	Anantpur
0201	Port Blair
0301	Itanagar
0401	Guwahati
0501	Patna
0502	Jamshedpur
0503	Dhanbad
0504	Muzaffarpur
0505	Bhagalpur
0506	Ranchi
0601	Chandigarh
	Delhi-DLH
0701	DLH Raja Garden
0703	DLH Dhaula Kuan Venkateswara College
0704	DLH DU area
0707	DLH Jamia Nagar
0708	DLH Ajmeri Gate
0709	DLH Dhaula Kuan RL College
0710	DLH Kalkaji
0711	DLH Hindu College
0712	DLH Vivek Vihar

CODE NO.	NAME OF THE CITY
0801	Marmagao
0901	Ahmedabad
0902	Vadodara
0903	Rajkot
1001	Kurukshetra
1003	Panipat
1005	Rohtak
1006	Faridabad
1101	Shimla
1102	Mandi
1103	Solan
1201	Jammu-Tawi
1202	Srinagar
1301	Bangalore
1302	Mangalore
1303	Dharwod
1401	Trivandrum
1402	Cochin
1501	Bhopal
1502	Jabalpur
1503	Durg
1504	Gwalior
1505	Bilaspur
1506	Indore
1508	Rewa
1601	Bombay Vidyanagar Kalina
1604	Bombay-Muland
1602	Pune
1605	Satara

CODE NO.	NAME OF THE CITY
1606	Kolhapur
1607	Nagpur
1701	Imphal
1801	Shillong
1901	Aizwal
2001	Kohima
2101	Bhubaneshwar
2102	Cuttack
2103	Rourkela
2104	Berhampur
2105	Angul
2106	Balasore
2107	Bolangir
2108	Sambalpur
2201	Jallandhar
2202	Amritsar
2301	Jaipur
2302	Udaipur
2303	Kota
2304	Jodhpur
2305	Bikaner
2306	Ajmer
2401	Pondicherry
2501	Madras-Tharamani
2505	Madras-IIT Campus
2502	Coimbatore
2503	Madurai
2504	Tiruchirapalli
2601	Gangtok
2701	Lucknow

CODE NO.	NAME OF
2702	Agra
2703	Allahabad
2704	Bareilly
2705	Dehradun
2706	Kanpur
2707	Modinagar
2708	Varanasi
2709	Gorakhpur
2710	Sultanpur
2711	Haldwani
2712	Jhansi
2713	Aligarh
	Calcutta-CAL
2801	CAL Piajanand Pothigraha
2803	CAL Kanchara
2804	CAL Ashwani Memorial
2901	Agartala

pply?

ates are advised to ensure accuracy and authenticity of the information supplied e application form. In the event of any information found incorrect at a subsehaving any bearing on the eligibility of the case, the admission shall be liable to any time. The applications complete in all respects in the form indicated should iversity on or before Monday the 25th July, 1988 alongwith Examination Fee of e application form should be addressed to:

r (Admissions & Evaluation)
hi National Open University
h Colony, New Delhi-110 048.

The envelope containing application should be superscribed with the legend in CAPITAL LETTERS.

"APPLICATION - DIM - ENT. TEST"

In case the candidates need acknowledgement they should enclose a self-addressed postcard. The eligible candidates who do not receive the Hall Ticket by 5th September, 1988 should either personally contact at the above address or inform telegraphically.

APPLICATION FORMAT
DIPLOMA IN MANAGEMENT (MODULE I) 1989

Application for Entrance Test
(September 18, 1988)

LAST DATE: MONDAY JULY 25, 1988

on of the advertisement itself may be used for application or alternatively it may be typed on a foolscap paper, with columns neatly drawn.

mplete applications will not be taken note of.

BLOCK CAPITAL LETTERS and write legibly.

se send the applications alongwith the required fee and a self-stamped postcard so as to reach on or before the last date

e

Write only one letter in each box. Leave one box blank between one part of your name and the other. Condense your name if space is not sufficient.

Please write the code No. in the given box, 1 Male 2 Female

of Birth (Should have attained the age of 25 yrs. on or before 1st Jan. 1989) Day Month Year

er's/Husband's Name

(As per instructions in Column 1)

ou belong to Scheduled Caste/Tribe? (Write 1 if you belong to SC and 2 for ST)

onality (write 1 if an Indian National or 2 if an alien)

Classification (Please write the relevant code of area you live in)
al Area 1, Rural Area 2,Urban Area 3.

ice of the Examination Centre: First choice
ase fill in the Code No. from the list supplied) Second Choice
University reserves the right to allocate any other centre if deemed necessary.

ing Address

Village
& State

Pin Code

ance Test Fee
e of Rs 25/- is remitted through Demand Draft payable to Indira Gandhi National Open University, New Delhi.
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nch & Town

nch Code

t NO

of Issue

laration of the applicant
reby declare that (Tick the relevant one and cross out the other)

(a) I am a graduate with more than three years of managerial/supervisory experience

OR

(b) I am a non-graduate with more than six years of managerial/supervisory experience.

clare that the particulars supplied by me are correct to the best of my knowledge and it will be supported by original documents when asked for I am also fully aware of the fact event of any information being found incorrect or misleading my candidature shall be liable to cancellation by the University any time.

& Stamp of the Employer Testifying
of Information Supplied

Full Signature of the Candidate

PICK OF THE JOBS

"The present trend in the job market is that candidates, particularly from reputed institutes like the IIMs, are very choosy about their jobs, with material benefits being given more weightage than job satisfaction. The large majority of them are not merely interested in immediate benefits but long-term prospects. They expect potential employers to have a specific corporate plan in mind and give them firm guarantees and commitments on their career path in the organisation. If a particular company does not give them the right kind of answers at the time of the interview, they even turn down the job offer," observes D. Ramaswamy, director of Career Placement & Marketing Services.

Elaborating on this point, Ramaswamy explains that "the candidates are very ambitious and if they do not get what they want after achieving their company's targets, they hop over to another company offering better prospects. Generally, the trend of professionally-managed companies today is to employ young managers."

PRESIDENT

Career Placement & Marketing Services has launched a search for an ambitious young president for the automotive division of a Madras-based group of companies.

For this slot, the aspirant should be an engineering graduate, preferably with an MBA from a recognised institute. He should be below 45 years of age, with 15 to 20 years' experience, out of which 10 years should have been at the general management level. He should have a good technical and marketing background and a commercial orientation.

The emoluments are negotiable on the higher side of Rs. 7,500 a month and will be accompanied by attractive perquisites, including accommodation and a car.

SPECIAL DIRECTOR — PERSONNEL

A reputed group of companies with an annual sales turnover of Rs. 1,000 crores has retained Career Placement & Marketing Services to zero in on a special director, personnel, for their consumer products company based at Madras.

To be eligible for this key portfolio, aspirants should be postgraduates in personnel management from a recognised institute, below 50 years of age and have 15 to 20 years' experience in personnel management, including both HRD and industrial relations.

The compensation package will be Rs. 7,500 plus, per month, with accommodation and a car.

For the same company, Career Placement & Marketing Services is also scouting around for a general manager and a deputy general manager on salaries of around Rs. 6,000 and Rs. 5,000 per month respectively.

Enquiries to Career Placement & Marketing Services, P.B. No. 8105, Bombay-400051.

FINANCE DIRECTOR

Personnel Search Services is gunning for a financial wizard to take over as the finance director of a reputed pharmaceutical house in Bombay, with sales of Rs. 50 crores. The company is well-known for its professional management practices and the high degree of freedom it accords to its functional heads.

Aspirants should be chartered accountants around 40 to 50 years, with an established standing in the field, the maturity to interact with top management circles and the ability to provide leadership to a high calibre team.

The appointee will report to the managing director and will have total responsibility for all accounting and financial matters of the company, as well as associate companies of the group.

For the right person, the emoluments package is negotiable.

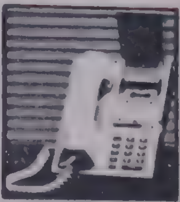
GENERAL MANAGER — PROJECTS

Personnel Search Services is also scouting around for a general manager (projects), pharmaceuticals, for a fast-growing professionally managed company in Bombay, engaged in the manufacture of life-saving antibiotics and drug intermediates.

Ideally, aspirants should be result-oriented; technically-sound chemical engineers/organic chemists, preferably with management qualifications, in the age group of 35-40. They should have a proven record of implementing projects independently in the field of fine chemicals, intermediates and petrochemicals. The appointee will head a team of qualified project personnel and will be responsible for total project activities of the company. He will be required to identify new projects, undertake feasibility studies, negotiate orders for plant and machinery, interact with government agencies and financial institutions and coordinate with process licensors, design consultants, etc. The compensation package will be a hefty Rs. 1.5 lakhs per annum.

Enquiries to Personnel Search Services, 3rd floor, Sambava Chambers, Sir P.M. Road, Bombay-400001. Tel. 255476. 2862660, 295963.

MARKETING MANAGER

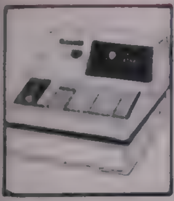


Tristar Consultants is in the hunt for a high-flying marketing manager for a fast-growing Bombay-based company in the service industry.

Aspirants should be graduates, preferably with a postgraduate degree in business administration. They should be between 30 to 35 years of age with eight to 12 years' marketing experience in consumer or service industries. The appointee will be solely responsible for all the branches with three product managers reporting to him.

The compensation package for the right candidate will be over Rs. 1,00,000 per annum and perquisites will be liberal.

EXPORT MANAGER



A public limited company in Bombay, with an annual sales turnover exceeding Rs. 100 crores, has enlisted the services of Tristar Consultants to launch an executive search for a dynamic export manager who will be reporting to the vice-president.

To fit this senior managerial slot, aspirants should be engineers with postgraduate degrees and specialising in exports. The appointee should be around 35 years of age with 15 years of relevant marketing experience, as he will be responsible for marketing all his company's products.

Remuneration will be over Rs. 1,00,000 per annum with lavish perquisites.

PURCHASE MANAGER

Tristar Consultants is on the trail of a purchase manager for a fast growing large multinational manufacturer of consumer products, based in Bombay.

To be eligible, aspirants should be engineering graduates, preferably with postgraduate qualifications in materials management/industrial engineering. They should be between 30 to 35 years of age with seven to 10 years' experience, preferably in the purchase of raw and packaging materials for the consumer/pharmaceutical industries. Knowledge of other areas of materials management such as production planning, inventory control, and machinery purchase would be an advantage.

The compensation package would be over Rs. 1,00,000 per annum with lavish perquisites including accommodation.

Enquiries to Tristar Consultants, 616, Maker Chambers V, Nariman Point, Bombay-400021. Tel. 233905, 240377.

PRODUCTION MANAGER

Jonzehn Services has launched a search for a production manager for a new medium-sized bulk drug unit coming up near Madras.

The ideal candidate will be a B.E. (chem.engg.) or M.Sc. (chemistry), between 35 to 45 years of age, with at least 10 years' experience out of which three years should have been at the supervisory level and two years at the management level. Knowledge of Tamil is a must.

The appointee will be responsible

The package envisaged is around Rs. 60,000 per annum plus benefits which are negotiable for a high achiever.

Enquiries to Jonzehn Services, Post Box. No.9891, Bombay-400050. Tel. 6420387.

GENERAL MANAGER—PERSONNEL

A leading multi-crore, multi-product, multi-divisional and multi-locational company in Bombay, engaged in electrical and electro-mechanical products has retained The Concept to zero in on a general manager (personnel).

For this top slot, the aspirants should be mature management professionals, between 40 to 45 years of age with at least 10 to 15 years' experience at the senior managerial level.

The appointee should be able to interact effectively with senior line managers for implementing policies and programmes and advise them in special areas such as labour negotiations, training in advanced personnel management systems, recruitment, etc. High adaptability, excellent trouble-shooting and effective communication skills and willingness to travel are essential.

Salary will be his for the asking with an array of goodies thrown in, including a company flat and a car.

Enquiries to The Concept, 67, White Hall, 143, August Kranti Marg, Bombay-400036. Tel. 8224422-23.

FINANCE MANAGER

Beam Services is gunning for a hard-nosed finance manager for a Bombay-based Rs. 10-crore company manufacturing resins and varnishes.

For this key slot, aspirants must be chartered accountants, preferably Gujarati-speaking. They should be between 30 to 35 years of age with a sound track record in auditing, budgeting, taxation and all accounting functions. Knowledge of computerised accounting would be an asset.

The compensation package will be Rs.75,000 gross.

DESIGN ENGINEERS

A well-known Japanese company in Bombay manufacturing engineering products has retained Beam Services to zero in on two design engineers (mechanical) and one design engineer (electrical). Aspirants should be mechanical engineers with experience in the design of rotary equipment, compressors and boilers and electrical engineers with experience in the preparation of single-line diagrams, switchyard cables, earthing, lighting layouts and specification control schemes. They should preferably be candidates from consultancy organisations with at least two years' experience. Appointees may have to go to Japan for training.

For the right candidates, salary will be theirs for the asking

Enquiries to Beam Services, Colaba Chambers, 1, Wodehouse Road, Bombay-400005. Tel. 4950122, 4951123.

■ *Indra Gidwani*

HIGH-FLIER

IA has made good progress under a private sector chairman.

"It is better to take passengers a little late than not to take them at all." Or so feels Rahul Bajaj, the two-wheeler king who wears another cap as chairman of Indian Airlines (IA). The occasion was the signing-off by Bajaj and other members of the airline's part-time board of directors at the end of their tenure last month.

IA's first ever private sector chairman was unusually bullish about the airline's showing. "Whatever yardstick of performance you use, IA's functioning has improved in the past two years," he said. Profits rose from Rs. 63.74 crores in 1986-87 to Rs.75.15 crores in 1987-88 and so did freight carried and net foreign exchange earnings. The only thing that tumbled was operating costs.

Three objectives. Bajaj explained that the board, constituted in the autumn of 1986, had set itself three objectives: to increase aircraft availability, streamline marketing practices and intensify training inputs. With demand growing at 10% a year over the past decade, and far outstripping supply, IA has a lot going for it. So top priority has been given to increasing aircraft availability.

"Actual demand may have been even higher than 10%, so we are projecting growth at 12% for the eighth and ninth plan periods, despite the Planning Commission having pegged it at 8%," said Bajaj. "Growth should not be curbed, because shortages lead to more dissatisfied passengers. If we are to err, let it be on the side of surplus."

The shortage of aircraft has meant that IA has been asking the most of its fleet. Average flying time should ideally be five hours a day, but IA's is eight. Annually, this should be 2,700 hours, but it has actually been 3,100 hours. "There is hardly any available turnaround time — barely 30 minutes for a Boeing 737 and one hour for an Airbus. This leaves virtually no time for cleaning and maintenance and leads to a 20% delay factor (in flight departure)."

> *The passenger is king, but Indians are a spoilt lot, they expect too much*
>
> **Rahul Bajaj,**
> *chairman, Indian Airlines*

There has been an attempt to tackle this. By mid-July, five Boeing 737s are to be leased and the board has recommended the leasing of one more Boeing and another Airbus. In addition, while 19 Airbus A-320s are to join IA's fleet by the mid-nineties, the board has recommended that the option for 12 more Airbuses be exercised. This means that in 12 years, IA will be acquiring a whopping 31 new aircraft.

At the end of his 21-month tenure as IA chairman, Bajaj confessed that his first direct experience with a public sector enterprise had been an eye-opener. For one thing, "I was pleasantly surprised at the efficiency and dedication of the airline management." For another, "delays in government clearances are much greater in the case of public sector enterprises than even for MRTP companies." And Bajaj should know what he is talking about — he is the head of an MRTP company.

Board achievements. But what precisely were the achievements of the board, and how successful was the experiment? "The board is a part-time body meant for planning and providing conceptual guidance. And it is difficult for the board to judge itself, others can do that," said Bajaj. But, he added, "though we cannot teach the IA management about civil aviation, just as they cannot teach me anything about scooters, more decisions have been taken during the tenure of this board than during any other comparable period of the airline's history."

For instance, the number of sales agents, which has remained frozen at 400-odd for over five years is to be increased on the ground that it is more cost-effective (IA will not open any more booking offices. Office space is expensive and, besides, private agents have the advantage of being able to operate more flexibly).

The passenger, according to Bajaj, has the most important stake in the airline. But though he is full of praise for the IA management, he has no great respect for Indian passengers. "The passenger is king, būt Indians are a spoilt lot, they expect too much," says Bajaj. But is that really true? The answer may be found in Bajaj's own admission, "Frankly, I have no evidence of improvement in customer service." IA is flying high these days, but it evidently is still to do so in style.

■ *Rajiv Shirali*

AVT's MONEY PLANT

A Madras-based company's tissue-culture business is growing.

For the Madras-based A.V. Thomas (AVT) group of companies, flowers are proving to be a profitable business. In the last two months (May and June), it has successfully exported 25,000 gerbera plants to Amsterdam. Claims an obviously pleased Ajit Thomas (34), grandson of the group's founder, the late A.V. Thomas, "Ours is the first commercial tissue culture lab in the country and also the first to export."

That lead is unlikely to be lost soon since the others in this field in India are still at the lab stage. "No one else in the country can make tissue culture plants in the kind of volumes that we can," adds Thomas. What's more, AVT's prices are internationally competitive. And profitable too. Thomas is, however, reluctant to part with figures "since it would be very useful to our competitors."

The order book is already drawing envious glances from potential competitors. AVT has already got a confirmed order for 1.1 million lily bulbs valued at 0.75 million Dutch guilders. Deliveries will be made between end-September 1988 and March 1989, which is the lily season. Simultaneously, AVT will also be growing gerberas, for which it has already got 'tentative' orders, which should be confirmed a couple of months before the gerbera season.

Cause for optimism. With this increasing level of activity on the export front, AVT has had cause enough for optimism to go in for a second plant. Its present plant near Palghat in Kerala has a capacity to produce 1-1.5 million plants (through tissue culture), depending on the product mix. The second commercial lab is almost ready at the Cochin Export Processing Zone. This will be a much bigger plant with an annual capacity of about six million plants. Set up at a cost of Rs. 2 crores, this plant's annual capacity can be increased to 10 million with an extra investment of Rs. 40 lakhs. Says Thomas, "When we start it up in July, it will be the largest such plant in Asia." According to him, this plant should 'grow' between 1.5-2 million plants in 1988, four million in 1989 and touch six million in 1990. However, Thomas adds optimistically, "These are tentative figures, and could be even accelerated."

For the AVT group, this massive step-up in capacity, predominantly oriented towards the export market, marks a sea-change from the early days when its interest in tissue culture and plant biotechnology was prompted by its search for a better cardamom (AVT is India's largest producer and exporter of cardamom on the basis of the last three years' average). But a visit to one of the largest commercial biotechnology labs in the UK opened Ajit Thomas' eyes to the vast potential that exists in other crops and, especially, flowers.

To reach its current levels of capacity, AVT has spent over Rs. 50 lakhs on R&D. At the lab level there are many companies involved in tissue culture (including the mighty Hindustan Lever) in India. "There are a lot of small things in this business which have to be learnt," explains Thomas. "Even in the West, there are still no established procedures. Big labs too have made mistakes." A case in point in Twyford Inc., one of the pioneers in this field, which had to close down its UK lab because of consistent problems of contamination, and low productivity.

When we start the Cochin plant in July, it will be the largest in Asia.

Ajit Thomas

Taking no chances. Since tissue culture needs a pollution-free and stable environment, AVT is taking no chances whatsoever. Thomas categorically rules out any further upgradation of the Palghat facility because "we are almost 24 hours on the captive generator now." At the CEPZ unit, despite assurances that there will be no power cut, AVT is installing two 125 kva generators. The reason is basic: "You can lose up to three months of production because of the heat build-up due to power failure," says Thomas.

Apart from ornamental flowers, which currently appear to have a ready export market, AVT is also working on other crops relevant to Indian conditions such as rubber, tea, banana and mango. In addition, it is also offering its facilities to foreign buyers, especially the Dutch, for 'disease-indexing.'

For the Rs. 44 crore AVT group, its consuming interest in plants is not surprising: despite its diversification into other activities, plantations still account for 30% of group turnover. With its determined entry into the field of tissue culture, AVT is obviously hoping to make more than a thousand flowers bloom. Its money plant has already taken root.

■ *Chandu Nair*

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A STRIPE FOR JATAR

Hydrocarbons India has got off to a good start.

Remember Major General S.C.N. Jatar (54), the ex-chairman of Oil India Ltd. (OIL) who was maligned as an "anti-national" and hounded out of Assam by parochial agitators in that state (see *BW* cover story, "A company under seige," May 11-24, 1987)? Last July, much to the satisfaction of his well-wishers, Jatar was honourably shifted to the New Delhi-based Oil & Natural Gas Commission (ONGC)-affiliate, Hydrocarbons India Ltd. (HIL), as its chairman and managing director. And for putting up a brave front at OIL, the authorities did him the rare honour of giving him the personal rank of a "schedule A" chief executive in the public sector hierarchy although HIL is a schedule B undertaking.

The low profile HIL — essentially an oil exploration consultancy company that is envisaged to play the role of ONGC's international flagcarrier — has already bagged its first overseas operational assignment. Jatar recently signed a "production sharing contract" on behalf of HIL with the Ho Chi Minh City-based Vietnam Oil & Gas Co., better known as Petrovietnam. "This is the first time that an Indian exploration company has ventured abroad," observes Jatar proudly. He explains that HIL has been engaged to carry out seismic surveys of about 6,000 line km and drill two exploratory wells over a period of four years in a 14,160 sq km area of Vietnam's southern continental shelf. A team of HIL's experts is already in Ho Chi Minh City to prepare the ground for a seismic survey by early next year. Should oil be found, India will be the joint beneficiary along with Vietnam. Explains Jatar: "HIL's exploration costs of around $25 million are recoverable from the oil produced and the balance oil will be shared between the two companies, *viz.* HIL and Petrovietnam."

JATAR: PROUD ASSIGNMENT

Consortium leader. According to Jatar, India is ready and willing to share (with developing countries in particular) its "ample wealth of technology and expertise" in oil exploration and oil-related consultancy services. Individual job contracts apart, the country is equally equipped to take up turnkey projects abroad in the petroleum and gaseous hydrocarbons lines, both upstream and downstream. Prospective end-users now have the facility of having their turnkey needs met by a single resource centre, — The Indian Consortium for Oil & Natural Gas (Icon). He explains that Icon's 20-company strong membership encompasses the entire oil and natural gas spectrum: exploration, drilling and production (ONGC, GAIL), project engineering (EIL), refining and marketing (IBP, Bharat Petroleum, Hindustan Petroleum, IOC), and equipment and services (Bhel, Bharat Pumps & Compressors, Bridge & Roof, and Instrumentation Ltd.). For all Icon activity, HIL has been designated as principal coordinator and consortium leader.

"The HIL-Petrovietnam contract is the first major south-south collaborative venture in the petroleum sector," points out Jatar. A happy augury, no doubt, and hopefully the forerunner of more to come.

■ *Sujoy Gupta*

AIMING FOR THE TOP

IL&FS is taking a new road to success in leasing.

If ambitions are any guide, this one should join the big league in no time all. If parentage is any guarantor of performance, this venture should beat the pants off the competition. But of what use are ambition and parentage in a beleaguered industry like leasing?

A great deal, if the idea is to be innovative and carve out a new, profitable niche. And innovative is what Infrastructure Leasing & Financial Services Ltd. (IL&FS) proposes to be as it sets out to make a splash in the murky waters of leasing.

"Our aim is to break fresh ground," declares M.N. Goiporia, chairman and managing director of IL&FS as well as of the Central Bank of India. As the name indicates, the new outfit will concentrate on infrastructural areas. To be specific, IL&FC will help — primarily the private sector — build bridges, highways, power projects and effluent treatment plants, among other things.

"Since the leasing and finance area was already crowded and most (leasing companies) offered routine services, we decided on a new thrust," says Goiporia. The 'we' stands for two public sector behemoths (Central Bank of India and Unit Trust of India) and one private sector pioneer (Housing Development Finance Corporation). Together the three promoters of IL&FS have chipped in with a total paid-up capital of Rs. 6 crores. The authorised capital has been pegged for the moment at Rs. 25 crores.

Truly innovative. The range of activities being financed is quite impressive. "IL&FS is helping a private sector company build a highway between

New Delhi and Kanpur as part of its mandate," says Goiporia. The highway project is industrialist R.P. Goenka's baby and the "scheme is truly innovative," feels Goiporia. According to an agreement reached with the Union government, the highway will be 'owned' by the Goenka group till it recovers the project cost and makes its packet, of course. The highway will be 550 km long and is estimated to cost Rs. 1 crore for every 1.5 km stretch, i.e. a total cost of Rs. 360 crores. Other details are yet to be worked out, but there is no doubt that this could be called breaking fresh ground.

Yet another innovative scheme is being envisaged in Maharashtra. IL&FS is vetting a project for leasing a telecommunications network linking five industrial estates promoted by Sicom (the State Industrial & Investment Corporation of Maharashtra Ltd.) with one another and with Bombay. "This will also involve private sector participation," says Goiporia.

GOIPORIA: BREAKING FRESH GROUND

A number of similar projects are in the pipeline. Among them, the most ambitious one is the bridge proposed to be constructed by another private outfit between Nhava-Sheva port and Bombay's Eastern express highway. The cost of this project has been estimated at Rs. 45 crores. Another bridge is proposed to be built near the Thane creek connecting Bombay with Airoli.

"Given the importance of pollution control, IL&FS will also go into community effluent projects," says Goiporia. The first such plant will be set up at Thane at a total cost of Rs. 15-20 crores. As for pure infrastructural projects, IL&FS is leasing a 135 Mw power plant in Gujarat to meet the power requirements of the public sector Indian Petrochemicals Corporation Ltd.

For the moment, that is all. "But IL&FS will not stop at that," announces Goiporia. That makes him the third commercial banker to attempt to leave a mark on areas outside their traditional core of business: banking. B. Ratnakar of Canara Bank and D.N. Ghosh of the State Bank are already vying for pre-eminence in innovative banking. With the launch of IL&FS, Goiporia has thrown his hat too into the ring.

■ *Sutanu Guru*

A SUCCESSFUL FUSION

Sinter Plast faces a determined challenger.

Another David is working up a sweat in a bid to take on a Goliath. David this time is Fusion Polymers Ltd. — a Dadra (Union territory of Dadra & Nagar Haveli)-based manufacturer of rotationally moulded LDPE (low density polyethylene) tanks for storage of water and chemicals. Goliath is the high profile manufacturer of Sintex storage tanks — Sinter Plast Containers, the clear market leader. Fusion has armed itself with technology from a leading Holland-based manufacturer and a nationwide distributor-cum-dealer network.

Fusion is a relatively new outfit, promoted as recently as 1984 by a group of NRIs and Indian businessmen. It commenced production only in June 1987. In the first six months (to December 1987) the Fera company had posted sales of Rs. 80 lakhs. The profit was a mere Rs. 85,000, mainly because of the high depreciation of Rs. 5.29 lakhs.

Pravin Swadia, an NRI and chairman of Fusion, is however sanguine of a good showing in its battle royale with Sinter Plast Containers. "Sinter Plast just stormed into the market. We have planned our entry, appointing dealers at the district level to ensure greater reach," he says. In the first full year of production, the management expects to hawk Rs. 6 crores worth of storage tanks.

Quality goods. Having managed to rope in state of the art knowhow from Fusion Kunststoffen, one of the largest roto-moulders in Europe, and installed computerised machinery from Ernst Reinhardt of West Germany, Fusion claims to have the edge over Sintex in quality. Boasts Swadia, "The rejection rate of finished tanks at our plant is a hefty 4%, which is very high compared to the industry average of 0.5%. This is because we want to deliver quality goods to the customer." A lot of blue chip companies and government organisations have taken the bait, says Swadia.

SWADIA: PLANNED ENTRY

Besides, Fusion's Dutch collaborator has a stuffed menu card of over 500 domestic and industrial products which Fusion intends bringing to India. The company has plans to launch a range of garbage cans.

The Dadra-based plant has a licensed capacity to process 1,500 tonnes per annum of low density polyethylene; high density polyethylene and linear low density polyethylene. It was set up at a cost of Rs. 2.60 crores. The location at Dadra has made the company eligible for major concessions like 25% subsidy and sales tax exemption for 15 years.

To part-finance the company's Dadra project and meet working capital requirements, Fusion Polymers has entered the capital market with an issue of 9 lakh equity shares of Rs. 10 each. Success seems to be in storage.

■ *Anil Wanvari*

IN SEARCH OF QUALITY

Telecom equipment will face their acid test at Bangalore's TQA circle.

The Telecom Quality Assurance Circle of the department of telecommunications (DoT) plans to set up a laboratory in Bangalore for testing optic fibre cables and systems. The assessment of staffing, accommodation and equipment required for the lab has already been completed with the help of two Swedish experts. The proposal has been sent to the Telecom Directorate for sanction.

The lab will involve an investment of Rs. 4-5 crores, says U.R.G. Acharya, the soft-spoken general manager of the Telecom Quality Assurance (TQA) Circle. "We are working towards making the lab operational by 1989-90." In addition to the main laboratory, the TQA Circle plans to open smaller quality assurance circles in other places.

According to Acharya, two projects for producing optic fibre cables and systems are coming up in the country. One is a joint venture between Hindustan Cables and Indian Telephone Industries with NKT of Denmark as collaborator. The cables will be manufactured at Naini and the systems at Bangalore. This project involves an estimated investment of Rs. 50 crores.

The second project at Bhopal is being promoted by the Madhya Pradesh Electronics Development Corporation with additional investment from the Union government. It will cost Rs. 45 crores and the technology will come from Furukawa for cables and Fujitsu for systems. Both are Japanese companies.

The two projects are expected to become operational by early 1990 and the total production (from CKD and SKD imports) in the first year will be 1,500 km of cables (comprising 12 fibres). The DoT will, of course, be the major user of optic fibres and systems and TQA Circle is naturally keen to have testing facilities ready.

"In fact, we would like to ensure that the reliability and quality aspects are incorporated during the design stage itself," says Acharya. Once the TQA Circle obtains final clearance for the optic fibre and systems lab, global tenders will be floated for the equipment not available within the country.

Prime function. A word now about the role of the TQA Circle. The TQA Circle had an earlier incarnation in the Telecom Quality Control Organisation which has been functioning from Bangalore as an independent entity since 1979. It became a separate TQA Circle in 1986. Its prime function is to ensure that whatever is purchased by the DoT — whether materials or equipment — for the day-to-day running, expansion and development of the telecom services conform to specified standards and requirements. In this effort it is supported by two apex laboratories, the Telecom Testing Laboratory (TCL) and the Component Approval Centre for Telecommunications (CACT), both in Bangalore. Besides, it operates 31 smaller quality assurance centres all over the country to ensure quality assurance at the manufacturers' premises and help in vendor development.

A highlight of TQA Circle's performance in the year ended March 1988 was a 45% increase in acceptance of stores in terms of value — from Rs. 572.5 crores in 1986-87 to Rs. 831.9 crores in 1987-88. "Value of stores accepted this year should cross Rs. 1,000 crores," says Acharya, adding that the TQA Circle would like to open more quality assurance centres in locations where value of equipment and material supplies to the DoT exceeds Rs. 4 crores. "We would like to be more aggressive in our attitude: take the testing staff to the manufacturers' door-step as it were." Besides, the TQA Circle is planning to augment testing facilities at TTL and CACT and at other test centres at a cost of about Rs. 50 lakhs. Also in 1987-88, the TQA Circle processed and finalised more than 700 cases of prototype approval, of both equipment and critical components. This is a part of its vendor development activity.

ACHARYA: ENSURING RELIABILITY

Active organiser. The TQA Circle is also active in organising international seminars and training programmes on quality and reliability for its own staff and for quality control and production personnel of select telecom industries. It also brings out manuals on quality assurance and production aspects. In some of these efforts, the TQA Circle is assisted by the International Telecommunications Union and the UNDP.

The TQA Circle is also responsible for the evaluation and approval of push-button telephones supplied by manufacturers to the DoT and the MTNL, the two major buyers. During 1987-88, instruments from six manufacturers: Swede India Teletronics, RTIL, GCEL, Telematics Systems Ltd., Bharti Telecom, and Keltron Telephone Instruments, were evaluated and a total of 70,000 instruments approved for supply to the DoT and MTNL between October 1987 and May 1988. Recently, ITI has also entered the picture with the supply of a small quantity of push-button phones assembled from SKD kits obtained from its collaborator FACE of Italy.

Interestingly, only two firms, Bharti Telecom and RTIL, have made good progress in indigenisation; the rest are still assembling from CKD and SKD kits. Acharya is of the view that push-button phones made, or rather assembled, In India are too expensive because of the high import content. And he is not sure whether quality will be maintained when more components are made indigenously "Probably some (manufacturers) will fall by the wayside," he observes

■ *N. Raghavan*

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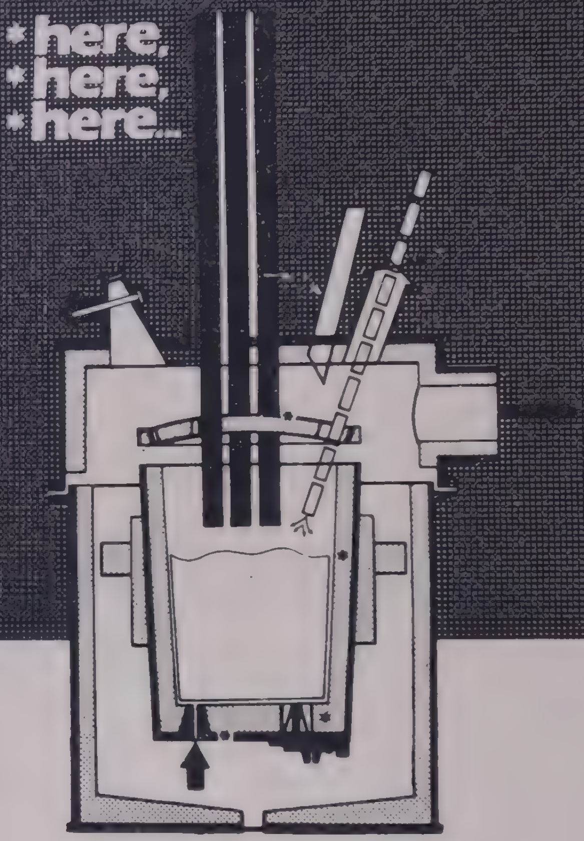

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MARKET RESEARCH

LOSING FACE

It is a do-it-yourself recipe for getting egg all over your face. And true to the adage of angelic trepidation, the Indian Market Research Bureau (IMRB) has scrambled headlong into yet another opinion poll fiasco.

"Opinion polls are the acid test of market research," says MRAS-Burke chairman and managing director Ranjit Chib. "In other research you cannot really prove your findings are correct. When you go wrong you can blame it on so many things — advertising, pricing..."

What IMRB has done with its repeated findings of a Sunil Shastri victory in Allahabad is to bring into question the validity of market research (MR) itself. The first poll gave Shastri 35% of the vote, V.P. Singh 22% while 36% of those surveyed were undecided. Wrote *Sunday* magazine which had commissioned the survey: "Although as much as 36% of the voters have not yet decided who to back, this is unlikely to influence the final result given the extent of Shastri's lead over Singh."

That's a laugh. When the results were announced V.P. Singh had a 55% share and a 1.1 lakh margin of victory. "How can Kanshi Ram, who got 5% in the opinion poll, and Shastri, who had 35%, end up with nearly the same number of votes?" asks Chib.

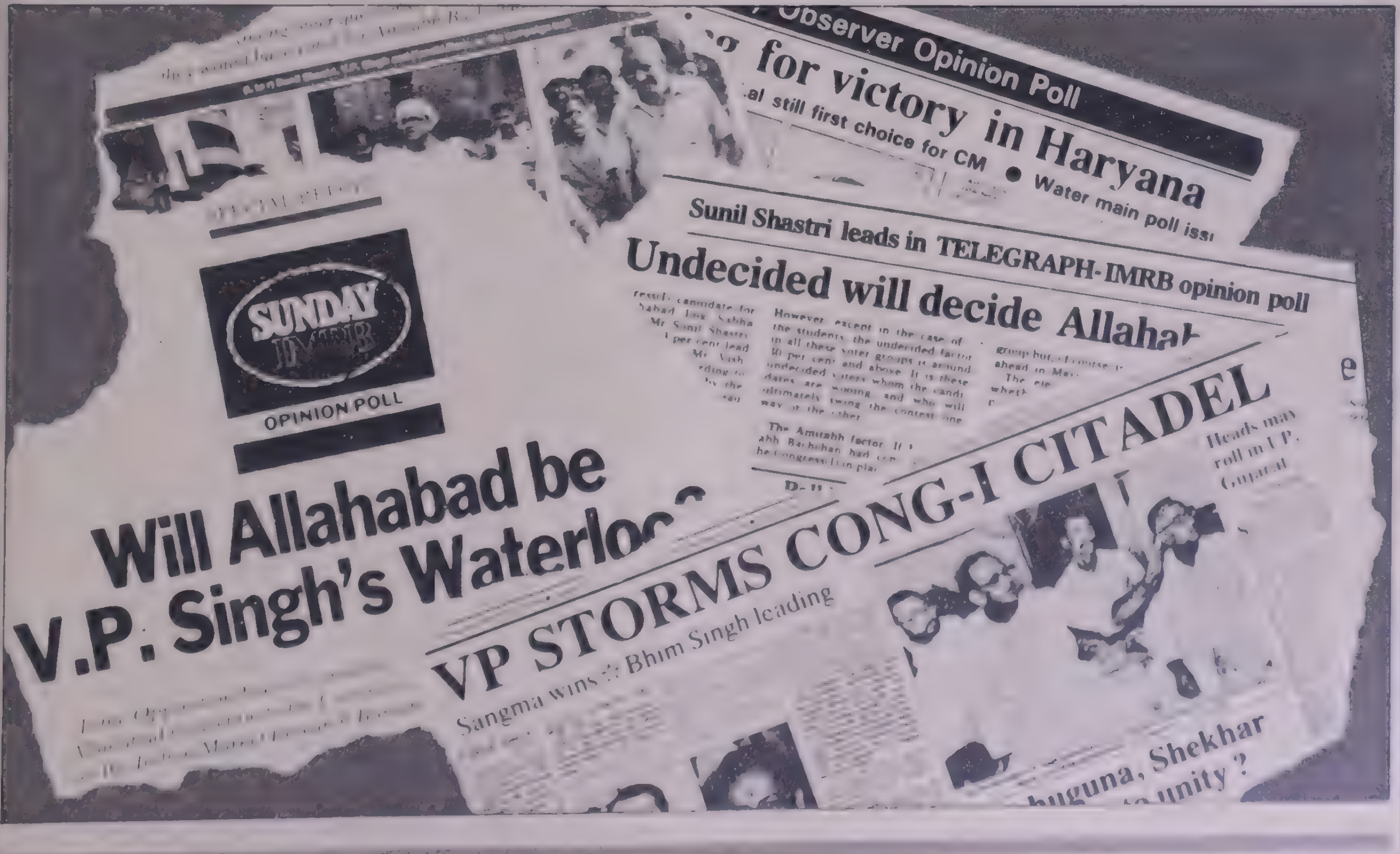
"But it will not turn people away from MR," he adds. Chib should know. A year ago MRAS had conducted an opinion poll before the Haryana elections. It predicted a Congress(I) victory. There were red faces all around when the party was wiped out, winning only 5 seats in a 90-member assembly. "I am staying clear of opinion polls," says a wiser Chib.

No apologies. Ramesh Thadani, general manager of IMRB, has no apologies to offer. "The poll was conducted 14 days before the election. Anything could have happened after that." Besides, while he accepts responsibility for the figures, he claims he had no hand in reaching the conclusions. "What appeared in publications is subject to editorial interpretation and we have no say in that."

Sunday editor Vir Sanghvi vehemently disagrees. "IMRB clearly said that in terms of voting intent, Shastri had a substantial lead in all the major segments. In fact, in a second poll conducted for our sister publication, *The Telegraph*, IMRB found that the undecided segment was veering towards Shastri. I consider the IMRB polls a disgrace and something which no self-respecting MR firm should have done. We didn't want a slipshod job with a small sample size. We wanted a 2,000 plus base to ensure that our findings were correct."

Sunday is now engaged in a detailed post-mortem of the findings. It has discovered that within the undecided segment, 65% were illiterate, 63% were women and 72% had an income level below Rs. 750 a month. "Obviously, IMRB did not have a clue about how to handle these respondents," says Sanghvi.

"We still don't know how to handle opinion polls," agrees Chib. "In Haryana we followed all the stan-



Observer Opinion Poll

for victory in Haryana

al still first choice for CM • Water main poll issı

Sunil Shastri leads in TELEGRAPH-IMRB opinion poll

Undecided will decide Allahab

SUNDAY IMRB

OPINION POLL

Will Allahabad be V.P. Singh's Waterloo

VP STORMS CONG-I CITADEL

Sangma wins :: Bhim Singh leading

Heads may roll in U.P., Gujarat

huguna, Shekhar unity ?

dards set down by international bodies. We still went wrong. You need a new approach here."

But is this Rs. 90,000 debacle (that's how much IMRB pocketed) likely to have a lasting impact on MR in the country? Not really; today's Delphic oracles cannot be dispensed with so easily.

"There might be an effect in the short term," says Marketing & Research Group (Marg) managing director Dorab Sopariwala. "People will ask questions. Companies which haven't used MR before may think twice. But the sophisticated MR user will stay. IMRB will feel the pressure more than the others, but there will be no slump."

Sopariwala has reason to be confident about his own firm. While IMRB went daisy-picking in Allahabad, a Marg exit poll (the respondents were interviewed as they came out of the booths) got the results remarkably accurate. Singh was tipped to win by over 1 lakh votes.

But IMRB is also confident that it will be business as usual. "I don't think these polls mar the credibility of MR. The failures are purely because of the human factor — people change their minds very fast. This is not true of consumer products."

> *The IMRB debacle won't really have a lasting impact on MR; today's Delphic oracles can't be dispensed with so easily*

Industry too tends to support MR. "The conclusion that Shastri was leading was premature," says S. Misra, member (marketing), ITC Ltd. "The fault for reaching this conclusion lies with the analyst and not with the MR agency."

Prediction disasters. That cuts both ways. It is true that even publications like *India Today* have tampered with findings before publishing them. But it is equally true that a series of prediction disasters have made figures so much the more unbelievable. In the West even a single fiasco of this sort would have raised a public debate — and it has. When the Conservatives won despite Gallup tipping Harold Wilson's Labour Party, the rumblings could be heard for months. It even gave rise to a new set of norms for conducting opinion polls. In India, IMRB may be a laughing stock at present, but the episode will soon be forgotten.

What is really surprising in this instance is that the agency did not consider it necessary to do a rethink on its findings. Even the Congress(I) did not think Shastri could win. Bombay bookies were offering him on long odds. But IMRB rushed in regardless. The excuses will soon be trotted out. But the fact remains that IMRB, in its acid test, has left everybody with a bitter aftertaste.

■ *A special correspondent*

INDO-GERMAN RELATIONS

NEW BEGINNING IN BONN

Indian diplomats were heaving sighs of relief when the all-clear siren sounded to announce that the long-awaited three-day visit of prime minister Rajiv Gandhi to the Federal Republic of Germany in June had ended without any untoward incidents. The heavy dose of niceties prepared by the protocol-obsessed Germans seemed to pale before the extensive security razzmatazz.

Armed policemen and convoys of green-coloured police-vans blasting deafening sirens cleared the roads and let Gandhi's specially built bullet-proof car speed to various venues in Bonn. "We have not seen anything like this in recent times," said a German official who has been responsible for protocol arrangements since many years for visiting foreign dignitaries. Indeed, the German hosts went to great lengths to roll out a longer than usual red carpet for the Indian prime minister. There had earlier been anxious moments for the tense German hosts following the "yes-no-yes" kind of signals emanating from New Delhi as far as the dates of the visit were concerned.

This German concern for tight security does not seem exaggerated when one realises that it was, after all, the first time in 17 years that an Indian prime minister was setting foot on German soil. The late Indira Gandhi had visited Bonn in 1971 during a tour of several European capitals. German planners have realised, albeit somewhat late, that India is a large market and an important economic partner. The success stories of Nippon's *samurais* in India, particularly the Maruti car project, turned the Germans green with envy. Consequently they have been unnerved at the prospect of "losing" India to the Japanese as well as the Americans.

Schizophrenic attitude. In the pas the Germans have been somewha schizophrenic in their attitude. The considered India an underdevelope nation or, to use past anachronisti references, a "bottomless barrel." O the other hand, the Germans coul not ignore the market potential of th nearly 800 million consumers of th subcontinent.

A "new thinking" has now seepe through the minds of German pla ners. Today India is considered strong economic partner, with a larg base of manpower and natural r sources. As such, it merits great attention. India's record of allowi foreign companies to remit profi back home has also been noted. the official level, India has been cently receiving flattering accolad for its "great achievements." In t past, however, German businessm and officials had not really made effort to understand the idiosyncracies of the subcontinent. "A more consistent attitude, taking into account the realities of the region, would be a constructive contribution to the understanding of India," says a German industrialist who frequently visits India.

Comparatively, the Americans, Japanese and Italians have patiently cultivated strong links with Indian officials, industrialists and journalists, and have sensed the psychological importance of what is described as the human angle. This human angle, which plays a crucial role in interaction with Indians — as also with all Asians — was not given its due importance by the Germans. The Japanese, on the other hand, have built up over the years a coterie of managers, socialites and journalists in most Asian countries, who have been vaccinated with a pro-Japanese serum.

Nonetheless, the German attitude is changing. In March, the Germans staged their biggest industrial exhibition, the Technogerma, in New Delhi. This event has brought the two nations closer and there is a feeling at all levels that the two countries have a lot to gain from each other by way of cooperation, particularly in trade and technology.

The German chancellor Helmut Kohl, who has met Gandhi several times in the past and who describes the latter as a "very good personal friend," seems to have struck a personal rapport with the Indian prime minister. Kohl expressed the hope (at a dinner banquet hosted for Gandhi at Bonn's exclusive La Redoute club) that the dynamics conspicuous in bilateral cooperation would continue

Gandhi's visit, it is hoped in Bonn, will put an end to the "speechlessness" which existed between the two sides at the political level and replace it with "warmth and intensity of exchanges." President Richard Von Weizsaecker, who hosted a luncheon for Gandhi, attributed the hitherto *cul de sac* in bilateral relations to a "lack of communication." It is a fact that while bilateral economic relations developed well, political dialogue between the two countries had been kept on the back burner.

Allaying fears. Kohl also tried to allay India's fears regarding the impact of the creation of a unified European market in 1992 on trade and investments. He assured Gandhi that the market would be "open for third countries" and would, as a matter of fact, become even "more attractive than before." Like the Asean countries, whose foreign ministers met their EC counterparts in Dusseldorf recently, India has also voiced its apprehensions that the single unified market in Europe could produce a heavy concentration of investments in the community itself and make accessibility to products from non-EC countries more difficult.

RAJIV GANDHI ADDRESSING A PRESS CONFERENCE IN BONN

While Gandhi's visit has thawed bilateral political relations, it essentially had a heavy economic component. In concrete terms, the visit produced three major results: both sides agreed to hold political consultations every year at the level of foreign ministers; a joint working group would be formed comprising representatives from the private sector (excluding bureaucrats) to identify areas of cooperation, particularly in the hi-tech sector: and, thirdly, the German government agreed to provide a financial package of DM 660 million for the modernisation of the Rourkela steel plant. Half of this money for Rourkela would be drawn from Bonn's development allocations and the other half would be raised in the form of soft loans from the Kreditanstalt fuer Wiederaufbau (Credit Agency for Reconstruction)

In a conversation during a reception held at the Bonn residence of the Indian ambassador, Gandhi said that the German proposal to modernise the Rourkela plant was a "good offer." "We have put forth a number of proposals to the German side on how we feel German investments could be promoted to India," Gandhi said. Although he would not specify the areas in which he would like to see greater interaction, Bonn sources maintain that New Delhi is interested in hi-tech sectors, bio-technology, gene-technology, aerospace technology and robotics.

Speaking at a meeting of the Federal Association of German Industry in Bonn, Gandhi voiced his concern over India's burgeoning trade deficit against the Federal Republic of Germany. Of India's total deficit of around $6 billion, the German share alone in 1987 was $1 billion (DM 1.7 billion). Representatives from German industry have suggested a number of ways to reduce the deficit: by allowing import companies from Germany to set up purchasing offices in India — the ultimate aim of this measure will be to increase Indian exports — and to promote German tourism to India. German tourists, as local officials proudly claim, have become "world champions" in tourism spending and the Indian side should devise ways and means of attracting them.

Unrealistic visions. An oft misunderstood and misinterpreted concept is that of the so-called "liberalisation" of India's import policy. German exporters had envisioned a virgin market of 800 million consumers waiting to be discovered. The sooner such unrealistic visions are shed, the better.

Gandhi himself made it clear in his speech before German industrialists that India was not going to pursue an "open door policy." Liberalisation would apply only to a few selective areas of cooperation. Gandhi also urged the Germans to invest more in India. A spokesman of the Association of Foreign Traders pointed out that India's red tape, coupled with other problems like power-cuts and raw material shortages, contributed to the low key German investment profile in India. Gandhi himself admitted that there had been bottlenecks in the processing of applications but he added that things would improve. "We are working on simplifying procedures for foreign investors ... and we hope that our efforts will encourage Germans to invest in India," he said.

Gandhi's visit was smooth sailing until the last day when he held an international press conference in Bonn. Asked to comment on the question of Afghanistan, Gandhi turned to Pakistan, whom he accused of not cooperating with the United Nations. "The best basis to seek a solution to the Afghanistan problem would be the Geneva accords ... This means that all the parties to the accords should adhere strictly to the terms of agreement. Pakistan has, unfortunately, not been doing so," he said.

Gandhi also charged that Pakistan had been quietly building up its potential for nuclear weapons and supporting international terrorism. A Pakistani journalist retorted that India was itself producing nuclear weapons by diverting heavy water from Europe to India and that India was supporting terrorism in Sind. Gandhi responded with a cool smile: "You should know that heavy water is not used for the production of nuclear weapons ... We have refrained from producing nuclear arms although we have had the capability of doing so for 14 years ... On the other hand, I have asked prime minister Junejo (who was in power at that time) where the enriched uranium was being sent in Pakistan. The material is being used for production of nuclear weapons. As for Sind, we have no need to interfere ... Pakistan has its own internal turmoils."

At this stage, pandemonium broke out among the journalists, with each vying with the other to ask questions. Smiling, but apparently uneasy, Gandhi also spoke on the future of Afghanistan: "The biggest danger in Afghanistan would be a fundamentalist and fanatic regime in Kabul, which would jeopardise the interests in South Asia ... One tends to see everything in terms of black and white, whereas we also see the grey shades. We would like the Afghan people to decide their own future without any outside interference. We would prefer a non-aligned Afghanistan without a fanatic and fundamentalistic regime. We have no aspirations in Afghanistan."

■ *Manik Mehta*

KARNATAKA SOAPS

DIVORCE & DISCONTENT

A relationship that was uneasy at the best of times, and acrimonious at worst, has ended. Karnataka Soaps & Detergents Ltd.(KS&DL) and its marketing agency, Mysore Sales International Ltd.(MSIL), have parted company. Effective from 1 June, KS&DL has been asked by the state government to directly market its products in the country. MSIL will, however, continue to export KS&DL soaps and detergents and handle the sales of sandalwood oil both locally and overseas.

Both KS&DL and MSIL are state-owned companies headed by senior bureaucrats, but this hasn't helped the two see eye-to-eye. As a result of this, KS&DL's products — and the range is wide — have suffered in a marketplace that's turning increasingly competitive. Its prestige product, Mysore sandal soap, is scarcely known today and is not readily available.

KS&DL's problems worsened when the capacity of its factory in Bangalore was raised from around 6,000 tonnes to 20,000 tonnes in 1985-86. This decision was taken by its previous managing director V. Jayappa, who was alleged to have indulged in some side deals of his own and left the company with a soiled reputation. With the steep increase in production capacity and indifferent sales, KS&DL began to find itself saddled with huge stocks of unsold finished goods. Dissatisfaction with MSIL, which has been marketing KS&DL's soaps and detergents for over 20 years, has grown ever since.

KS&DL'S PRODUCT RANGE. INSET: MUDDAPPA

Point
Total
Mysore Sandal Soap

With accumulated losses bloating to Rs. 36 crores, the feeling that KS&DL can do better if left to market its own products mounted within the company. Its workers and staff found in S.K. Ghosal, the new chairman and managing director, a vocal champion of their cause.

Shared marketing. Some observers believe that it was Ghosal who instigated the employees to take the issue to the streets and directly petition the government. Ghosal denies this and says that workers and staff have been agitating for a marketing role for KS&DL since the last two years, whereas he assumed charge only a year ago. Anyway, the fracas culminated in something curious. On 13 April, chief minister Ramakrishna Hegde called both sides for a discussion. The industries minister and the secretary for industries and commerce were also present. At this meeting it was apparently decided that KS&DL and MSIL would share the marketing of KS&DL's products equally in terms of territory and that commissions to MSIL on sales would be brought down to the rates prevailing in the industry. The chief minister's secretary was asked to take further action.

Following an official communication from the chief minister's secretariat on 26 April, Ghosal initiated steps to market KS&DL's products directly. Large newspaper ads were issued by KS&DL to this effect, but the MSIL chairman and the secretary (industries and commerce), who were present at the 13 April meeting, did not exactly see the outcome of this conclave the way Ghosal interpreted it. The result: KS&DL was officially asked not to proceed with directly marketing its products until another meeting, convened by the industries minister, finally decided the issue.

What was decided at this meeting, held on 30 May, took Ghosal by surprise, or so he claims: "We were asked to take over the entire marketing and that too with effect from 1 June. True, we had sought control over marketing but only in stages and that is exactly what I thought was decided when we met earlier on 13 April." The pendulum, as it were, had now swung to the other extreme.

According to Ghosal, what MSIL had hitherto been doing was to provide a small salesforce; the actual distribution was done through stockists, wholesalers and retailers. The only change now would be the creation of a salesforce by KS&DL and, of course, there would be no need to pay MSIL commissions ranging between 4% (for sandalwood oil) and 5% (for soaps and detergents) for doing at best an indifferent job — from the KS&DL's viewpoint.

But MSIL does not see it that way at all. Said MSIL chairman S.B. Muddappa at a news conference on 12 June: "Sales of soaps and detergents (of KS&DL make) went up from 6,871 tonnes in 1983-84 to 15,190 tonnes in 1986-87, a 120% increase over three years. As for commissions, MSIL has never made any profit out of the commission paid by KS&DL. In fact, MSIL has spent more than Rs. 3 crores out of its own funds towards advertisement and publicity for KS&DL's products during the last three years."

Partial truth. But Ghosal feels that Muddappa was only "passing off a partial truth as the whole truth." He claims that the sales target set for MSIL for 1986-87 had to be sharply scaled down at its (MSIL's) request and that it was only in 1985-86 that KS&DL's production capacity went up steeply. So, while there was a 120% rise in KS&DL's sales over the last three years, a different — and more realistic — picture would emerge if this performance was viewed in perspective.

"Capacity utilisation of less than 50%, which is what the figures trotted out by MSIL actually mean, can by no means be considered adequate for KS&DL's survival," says Ghosal with a touch of ire. Still, both Ghosal and Muddappa would now like to bury the hatchet.

Meanwhile, to keep at least a part of its huge capacity profitably employed, the company has initiated a dialogue with Johnson & Johnson. Ultimately, however, KS&DL is a public sector enterprise and will remain so, according to the secretary (industries and commerce), who recently issued a press statement to scotch reports that the government was keen to privatise it. In a state where a majority of the 58 state-run units are deep in the red, one more white elephant hardly seems to matter. For newsmen reporting the tussle between the MSIL and KS&DL, it was merely good copy.

■ *N. Raghavan*

DOWN WITH DOWNTOWN !

Bombay now has a
suburban business
service centre

The
Executive
Chambers

It's an
'intensive care'
service centre
for
the 'serious' businessman

★ Focal location
★ Classic decor
★ Enterprising staff
★ Hi-Tech equipment

THE EXECUTIVE CHAMBERS
705, BALARAMA
C 3, BANDRA KURLA COMPLEX,
BANDRA (EAST),
BOMBAY 400 051.
TEL/FAX: 6427520

SUVERA

LIFELINE FOR SHIPPING INDUSTRY

A lifeboat has been lowered for the Indian shipping industry by the Shipping Credit and Investment Corporation of India. Rs. 250 crores will be offered to shipping companies and the fishing industry to enable them to strengthen their tonnage.

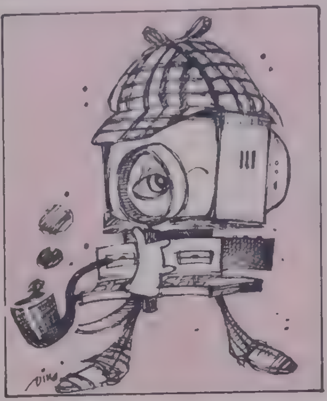
Naresh Chand Singhal, managing director of SCICI, said recently that of the Rs. 250 crores on offer, Rs. 170 crores had been earmarked for the acquisition of ships, most of which could come from the second-hand market. About Rs. 70 crores will be used to buy deep sea fishing trawlers and processing equipment. The remaining Rs. 10 crores will be disbursed among private shipyards.

The SCICI has already filled a part of the kitty with foreign currency resources of Rs. 110 crores. Of the rest, Rs. 100 crores will be raised from the capital markets and Rs. 40 crores from internal resources.

According to Singhal, "This package reduces the interest burden on shipping companies. It also insulates them against the risk of foreign currency fluctuation to the extent of 60% of the cost of the ship... This package should help to effectively improve the profitability of Indian shipping companies."

COMPUTERS AS TAX-SLEUTHS

In its all-out war against tax evaders, the Central Board of Direct Taxes (CBDT) is closing its ranks further. Its newest recruits: computers. Thirty-six computers are being installed in the offices of chief commissioners of income tax around the country.



The CBDT is also developing several software packages, including one which will provide a distinct permanent account number (PAN) to each taxpayer.

Other software packages will maintain dossiers on large industrial houses and handle surveys, search and seizure operations. A massive database is also being prepared to match information from companies' annual reports, etc.

The Hyderabad-based Administrative Staff College of India is developing a judicial reference system for the CBDT. Another major software package relates to a summary assessment of returns. This system will not allow the claim of an assessee if it is not admissible under the law.

RICE DEAL: KOREANS WIN

The tug-of-war over the rice deal between India and North Korea has ended with the latter emerging the clear winner.

In April, North Korea offered to sell India 500,000 tonnes of rice. MMTC, which handled the deal, informed the commerce secretary that the rice would have to be partly paid for in terms of a million tonnes of iron ore. The barter deal, the Indians thought, made good business sense since it trimmed the purchase price, as well as brought in foreign exchange.

And now the word is out. According to *Business Standard*, the minutes of the discussions say nothing about the sale of iron ore to North Korea. The Koreans, thus refused to accept the iron ore, and asked to be paid in cash. They wanted 85% of the payment immediately after loading the vessels and the remaining 15% after unloading. MMTC has meekly agreed to these demands.

TOURISM: A PLATEFUL OF PROPOSALS

The national committee on tourism has served up a plateful of recommendations to the prime minister. Headed by Mohammed Yunus, chairman of the Trade Fair Authority of India, the committee has suggested the creation of a National Tourism Board, a separate cadre styled the Indian Tourism Service, and the partial privatisation of Air-India and Indian Airlines.

YUNUS: STREAMLINING TOURISM

What's more, the committee wants a Tourism Financial Corporation to be set up with an equity of Rs. 100 crores. A package of financial and fiscal benefits has been recommended for hotels, motels, resorts, tour operators, travel agents, etc. to speed up infrastructural development.

If a National Tourism Board is indeed created, it will draw up tourism policies and perspective plans for implementing projects — tasks which the department of tourism performs at present. But a nagging doubt persists: can a government board, by some other name, work any better?

WORLD BANK AID: THE DARK SIDE

World Bank aid is a double-edged sword. It has been helping to mechanise agriculture in India, but has also pushed a good many marginal farmers over the brink to landlessness.

Barber Conable, the bank's chairman has received an angry letter from a Finnish organisation — Ymparist Ja Kehitys (Coalition for Environment and Development) — condemning the adverse effects of World Bank-aided development schemes.

Between 1961 and 1971, the number of landowning farmers slumped from 93 million to 78 million, while the ranks of landless labour swelled from 27 million to 47 million, the letter claims.

The Finnish organisation argues that capital intensive schemes are not the only way to irrigate fields, and advocates the adoption of labour-intensive small-scale alternatives.

BANKING OVERSEAS

The Indian bank branch network abroad is being chopped and changed thanks mainly to the substantial losses incurred by some banks. That the Reserve Bank of India (RBI) is aware of this is evident from the recent publication of a survey titled "A Decade of Overseas Business of Indian Banks." This provides a useful, if somewhat inadequate, background for discussing the problems and prospects of Indian bank branches abroad.

Indian banks started opening branches outside India in the wake of Indian emigrants back in the forties. The pioneers in this field were the Indian Overseas Bank in the east and Bank of Baroda and Bank of India in East Africa. By 1985, Bank of Baroda had the largest number of offices abroad (57) followed by Bank of India and State Bank of India with 24 each. India's largest bank has been somewhat of a latecomer in this area: it gathered momentum only in the seventies. In all, 13 Indian banks have offices abroad. Apart from the big three, Indian Overseas Bank had 12 offices while the others had less than 10 each.

The total number of offices of Indian banks outside India increased rapidly from 77 in 1975 to peak at 141 in 1984. Since then the number has dropped to 122. The growth in total assets also follows a somewhat similar pattern. In absolute terms, the assets grew from Rs. 873 crores at the end of 1975 to almost Rs. 5,500 crores by 1980. Since then the rate of growth has slowed down and the assets were Rs. 13,359 crores at the end of 1985. In percentage terms the compound rate of increase came down from 44.4% between 1975 and 1980 to 19.5% per annum between 1981 and 1985. The figures have been taken from the RBI survey referred to earlier. They have one drawback — the exchange rates used for converting foreign currency assets to Indian rupees have not been specified. It would appear that the conversions have been done on the basis of the historical exchange rates. If so, the asset growth in rupee terms, as calculated from the RBI data is obviously exaggerated because of the depreciation of the Indian rupee over the years.

Another major weakness of the RBI survey is that it has not given any figures pertaining to the profitability of Indian banks overseas. Obviously, the RBI is reticent about publishing the losses incurred by some of the banks in their foreign operations in recent years. The report therefore contents itself to stating that "the surpluses of all Indian banks during 1983 to 1985 have reportedly shown a declining trend." The RBI report merely compares the percentages of income and expenditure, under different heads, of foreign offices with those of the Indian offices of the 13 banks. As is to be expected, this comparison, which does not give any absolute figures, shows that in percentage terms, the non-funds income of foreign offices is higher than that of the Indian offices while their establishment and working expenses (i.e. other than interest) are lower.

The loan losses sustained by some of the banks in their foreign offices have obviously reduced the appetite of Indian banks for further expanding their operations abroad. Thus it may be a couple of years before Indian banks think of further major expansion. The scope for this is, of course, limited.

One of the problems faced by the banks relates to personnel. It is difficult for Indian banks to attract talented local staff, for obvious reasons. This is in sharp contrast to foreign banks in India who are able to recruit top talent locally because they pay better. The possibility of overseas posting is also a lure. Not only are the Indian banks unable to attract talent from the country in which the branch is situated, but in recent years many banks have also experienced an increasing number of India-based staff posted abroad leaving them to join other banks in those centres.

Another major problem in foreign operations is the relative absence of the concept of marketing in banking in India. Bankers tend to rely more on walk-in business rather than working to a well-conceived plan. This is in sharp contrast to the way in which the foreign banks in India operate. The banking climate outside India is far more competitive. Besides, the plethora of regulations in India is hardly conducive to competition. One further drawback is that most Indian banks, given the general paucity of resources, have more or less forgotten the skills of financing trade as opposed to industry.

> *A major problem in foreign operations of bank branches is the relative absence of the concept of marketing in banking in India. Bankers tend to rely more on walk-in business*

The Sethia debacle and other shocks sustained by the Indian banks abroad have helped focus attention on the situation. Having absorbed these shocks, the banking system should emerge stronger. But growth will inevitably depend on the way the Indian economy develops particularly in terms of its balance of payments.

■ *A.V.Rajwade*

The author is a Bombay-based financial consultant

CRR HIKE DATE ADVANCED

Excess liquidity in the banking system has forced the Reserve Bank of India (RBI) to advance the cash reserve ratio (CRR) hike date. According to a fresh directive, CRR will be hiked from 10% to 10.5% with effect from 2nd July — four weeks ahead of schedule.

This decision is on account of an unprecedented surge in deposits. Between 1st April and 20th May 1988, deposits grew by Rs. 1,989 crores as against a mere Rs. 21 crores in the corresponding period last year.

Simultaneously, food credit which was supposed to absorb the excess liquidity, actually declined by Rs. 33 crores.

SBI's EURO-YEN ISSUE

The State Bank of India (SBI), which already has quite a few firsts to its credit, has added one more to the list. On 20th June, it became the first Indian organisation to issue Euroyen bonds for Y15 billion (Rs. 161 crores), when chairman D.N. Ghosh signed the relevant documents in London.

The five-year bonds were issued at a price of 101.875%. Lead managed by the Industrial Bank of Japan International Ltd., they carry a coupon rate of 5.25%. Fourteen international investment banks, securities companies and long-term credit banks have come together to underwrite the issue.

These include IBJ International Ltd., New Japan Securities Europe Ltd., Sumitomo Trust International Ltd., Prudential-Bache Securities (UK) Inc., Bank of Tokyo Capital Markets Ltd. and Mitsubishi Trust International Ltd. among others.

GHOSH: ANOTHER FIRST

RATNAKAR's VENTURE

This one might turn out to be B. Ratnakar's last hurrah before he bows out of Canara Bank. The derring-do chairman of Canara Bank seems to have finally persuaded the Reserve Bank of India to clear the bank's venture capital scheme. The fund is proposed to be set up under the aegis of CanBank Financial Services — a wholly owned subsidiary of the bank.

The subsidiary had already committed an investment of Rs. 2.65 crores during 1987-88. But the Union finance ministry is yet to give the green signal.

BANKING GLASNOST

Yet another angle has been added to *glasnost* in the Indian banking system. United Commercial Bank and Allahabad Bank have designated 25 branches which will accept deposits on behalf of a private company.

Under a recent agreement reached between Empire Finance Co. and the two banks, the 25 branches will accept deposits for six to 11 months. For a six-month deposit, Empire Finance will pay 14% interest — the highest allowed by the RBI.

While the move does break fresh ground, the banks have also exposed their branches to a higher risk factor.

IDBI's NEW SCHEME

The Industrial Development Bank of India (IDBI) has introduced a new scheme for discounting machinery bills, which will help manufacturers to offer deferred payment facilities to buyers.

The new scheme aims at making the existing bills rediscounting scheme — which has existed for the last 23 years — more flexible. The IDBI will now selectively take up discounting of bills or promissory notes. In effect, this means machinery sellers will be able to discount bills directly with the IDBI, instead of routing them through banks.

LEASING NORMS

The Reserve Bank of India (RBI) has finally cleared the clouds over lending norms to leasing companies. Henceforth, commercial banks can lend a maximum of three times of net owned funds (NOF) to leasing companies.

As even accounting norms are not completely standardised, RBI has attempted a patchwork definition of NOF. According to a recent directive, NOF will comprise of paid-up capital and free reserves less accumulated balance of loss, deferred revenue loss and other intangible assets.

PROMOTER'S CONTRIBUTION LOWERED

Liberalisation continues in fits and starts. In a recent move, the Industrial Development Bank of India (IDBI) has significantly relaxed norms on promoter's contribution for industrial projects in backward areas and priority sectors. Under the new scheme, the promoter's contribution declines as the size of the project increases.

For project costs up to Rs. 25 crores, the promoter will have to cough up 22.5%; from Rs. 25 crores to Rs. 50 crores, the contribution is 17.5%, and, above Rs. 50 crores, the promoter's share of total costs works out to 10%.

UNIFORM YEAR FOR ACCOUNTING

With effect from March 1989, all companies will have to close accounts for income tax purposes on 31st March. For those having different year endings the accounting year will have to be extended. For example, if a company closes its accounts on 30th June, it will have to file tax returns for an extended 21-month period ending 31st March 1989.

However, apart from filing tax returns, there will be no compulsion on any assessee to close accounts on 31st March. According to an official release, if for any reason, personal, religious or any other ground, an assessee wants to close accounts on a date other than 31st March, he can.

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OFFICE AUTOMATION

THE MAN WHO WOULD BE KING

His mind's eye has a snapshot of the office of tomorrow. A personal computer hugs the table-top, a silent facsimile machine spews out missives from Timbuktu and Teheran, a copier purrs in a corner and an electronic typewriter goes through its paces. And more, much more, but with one thing in common: the galaxy of machines bears the same label. Bhupendra Kumar Modi, fourth son of the legendary Gujar Mal Modi, has this dream of becoming the unchallenged king of the office automation industry.

But it is a dream which does not quite dissolve in the harsh glare of reality. For starters, there is Modi Xerox which has swamped all competition in the copier market. After the aperitif, the main courses — Modi Olivetti, the Modi software park, Modi Business Machines, Modi Telematics and Modi GBC High Tech — are now being readied for the serving. Modi's appetite is indeed gargantuan.

He has a lot going for him. First, his stable of foreign collaborators. Rank Xerox, Olivetti, AT&T, General Binders — world leaders all, most rub shoulders in the *Fortune 500*.

Then there is Modi's personal drive and ambition. With persistent bickering in the family, the Rs. 1,000 crore business empire has meandered down the fission path. B.K. Modi (known to his friends as BK) has no desire to be left squabbling over the fragments. The result: his drive to be a tycoon in his own right. "My aim is to create an office automation empire which the country can be proud of," he says.

But if it has been a cakewalk so far in the copier market — Modi Xerox has no competition worth the name — the same is not true of the other products. Contenders like Wipro, HCL, PCS Data Products, Kores and Godrej are unlikely to sit back and allow Modi to build castles in their backyard. "No doubt BK is dreaming up grandiose plans, but he is out of sync with reality," says a rival industrialist. "Soon his house of cards will come tumbling down as competition intensifies."

The loyalists, however, have no doubts. "BK is a visionary *par excellence*," says R.K. Hari Singh, corporate advisor (international relations) to the Modi group. "The clarity of his thoughts about the future of the office automation industry in India is incredible."

THE MODI BUSINESS MACHINES PLANT AT CHANDIGARH. INSET: B K MODI

Neither brickbats nor bouquets seem to faze Modi. "The future belongs to office automation and I want to stake my claim in that future," he says.

He has set a hectic pace. Like a corporate Patton he drives his employees relentlessly to create his empire. Sitting on the sidelines with nary a role to play are his four brothers and three cousins. Admits a family insider: "No confusion here. Modi Xerox onwards, this futuristic drive is entirely BK's brainchild."

A *dekko* at his office in Delhi is a foretaste of the future. Modi fiddles with his PC at the drop of a hat. Sales graphs give way to cash flows as enthusiastic fingers strum the keyboard. Even though his office is not soundproofed, the clickety-clack of his secretary's typewriter is absent. Obviously, it is electronic. "It's one of the finest Olivetti products," says Modi proudly. Even his secretary blends into the surroundings. "She is ultra-efficient and a model of office automation," says one of Modi's peers. Five feet away from the secretary is a xerox copier which noiselessly churns out copies for Modi and his army of lieutenants.

All this sounds dismissively hyped up, but part of the set-up is like that. Effective public (press) relations lie at the very core of Modi's corporate gameplan. Yet, this ersatz scenario is not dismissed inside the boardrooms of quite a few companies. Big names like HCL, Wipro and Godrej, lesser known companies such as Kores and PCS Data Products are all worried. They are chalking out strategies to meet Modi's onslaught. The office automation marketing war has not yet hotted up, but in a couple of years, the sparks will ignite into a bushfire.

There is no dearth of warriors. But the gladiators can only be two: Modi's clutch of companies and HCL. The arena will be the entire range of office automation products in which both want to be topdog. No one will cry quarter. Comments a Wipro marketing executive: "There's no way HCL will give up its supremacy."

There is no way Modi will let go either. "I want all my companies to be No.1. They have to be. There's no charm left otherwise," he says. Some projects are already shaping up that way (see box p.53). Others, like the EPABX sortie, could well come a cropper as it is an arena where both giants and pygmies have stumbled in by the score. But, minor disasters apart, the overall gameplan certainly looks impressive.

The figures trotted out by Modi shore up this impression. "By the early nineties, my office automation companies will together notch up a sales turnover of Rs. 400 crores if all goes well and Rs. 300 crores if there are hiccups," says he. On the other hand, HCL, the other giant in the making, has set its sights on doubling turnover every three years. That gives HCL a turnover of Rs. 200 crores in the early nineties — if Lady Luck does not frown. As far as claims go Modi is one up.

But why office automation? Therein lies the key to Modi's personality and entrepreneurship — so different from the staid image the Modi family has acquired after two generations of dabbling in traditional product lines such as sugar, vanaspati and flour mills. Therein also lies the key to Modi's drive and ambition. For, undoubtedly, he is bent on building his own industrial empire. He will not be satisfied with existing business lines. That, perhaps, is the hallmark of an empire-builder, who has the foresight of a pragmatist and knows that the Modi kingdom is going to splinter soon, leaving small *zamindaris* for each scion.

NEW WORLD

But, even Modi could not possibly have thought of all these angles when he fell in love with office automation. That was way back in 1971, when young Modi was a management student at the University of Southern California (USC) in the US. Apparently, a high ranking Xerox official lectured the USC class of '70, as part of the degree programme. "That illuminating monologue was tremendously perceptive. And it opened up an entire new world for me," says Modi.

PACKING TONER FOR MODI XEROX COPIERS

That world was of modern management and marketing techniques, with their evident applications in office automation, of course. "I learnt the importance of quality," says Modi. He also learnt other lessons — the stan

RANTALAINEN: OBVIOUS POTENTIAL

dard jargon. On his return to India he took over as president of Modi Industries Ltd. — the flagship of the Modi group. Subsequently, he held top level positions in companies such as Modi Rubber, Modi Carpets and Bombay Tyres.

Strangely, all the management razzmatazz that Modi imbibed in the US remained dormant for a long time. Of course, he does claim that his philosophy of quality and modern management was successfully used in Modi Rubber. "That is why dealers always prefer Modi Tyres," he asserts. But there are not many who will buy that argument.

But perhaps, he, never had a free hand to translate theory into practice. Till the early eighties, B.K. Modi was just one of the eight Modi cousins who co-managed a string of companies — some well, a lot of them badly. It is only after Modi Xerox that BK started acquiring his now formidable reputation. And he has not looked back since.

FUTURE NOT EASY

Even then, it would still be too early to bracket Modi in the company of legendary 20th century industrialists. His only unqualified success so far has been Modi Xerox; the rest have yet to gain supremacy. And, as an office automation industry monitor says, "It's not going to be easy for BK. In every product line, his companies will face bitter competition. And, there is a difference between copiers and other products. Even if BK wins eventually, it will only be after a bloody marketing and price war." This means the future is not as hunky-dory as Modi would have the world believe.

But Modi refuses to even consider the possibility of his plans going awry. Why? "Believe me, in the long run, the quality of the product as well as service makes all the difference. Name a single other company in office automation in India which can boast of providing complete consumer satisfaction. You must remember, I am here for keeps, not to make a fast buck and run away," he explains.

In a way, his contention is right. The Modi Xerox experience bears that out. "When Modi Xerox commenced operations, the idea was to sell copies not copiers. There's a world of difference," says Mohan Caprihan, deputy director (corporate affairs) of Modi Xerox. According to him, the aim was to stretch the 'service oriented' philosophy to its limit. "The salesman's job was not over after the copier was sold. He had to keep track of what function the machine was serving and how it could do so more usefully for the customer," claims Caprihan. Modi says that he knows the number of copies churned out by each copier sold by Modi Xerox. At least, even if he cannot reel off figures, he has them keyed into his table top PC. "How many others can lay claim to that?" he asks proudly.

Modi Xerox has in some ways been a path-breaking experience for the Indian corporate sector. "We invested Rs. 37.5 crores when everybody else set up shop with a couple of crores," says Caprihan. Both he and Modi admit that the magnitude of investment made the project the laughing stock of industry. The general reaction was: the guy has gone berserk with Modi money.

IMPECCABLE REPUTATION

Not just that. The marketing men hired for Modi Xerox were set incredibly exacting standards. "They were not supposed to con customers into buying a Modi copier. They also had to help the customer assess his requirements and recommend the right range. Moreover, the salesperson was to help figure out the ideal location for the copier in the office for optimum use," says Caprihan. Every principle that Rank Xerox adopted worldwide was followed religiously by Modi Xerox. The concept of 'Team Xerox' was implanted in toto. The marketing people were offered fabulous incentives. And, according to Modi, hardsell — by which he means selling by conning — was prohibited. The reason: to build an impeccable reputation in the marketplace.

The strategy paid off, but not before the whole thing almost went up in smoke. In the first year of operations, Modi Xerox managed a turnover of

THE MODI RANGE

"I AM HERE FOR KEEPS, NOT TO MAKE A FAST BUCK"

Dreamer or empire-builder? Actually, Bhupendra Kumar Modi (39), is a bit of both. In a freewheeling interview with BusinessWorld, Modi talks about both, the distant hopes and the ground realities. Excerpts:

■ **On his office automation dream.**
I want to create an office automation empire which the country can be proud of. Besides, I want all my companies to be No.1. They have to be. There is no charm left otherwise. When the office automation revolution hits India, I want my stake in it.

■ **On possible hitches in achieving the dream.**
Labour unions are still a stumbling block. They have not yet realised that office automation does not reduce the number of jobs. They also have not realised the fact that in today's competitive world, not having office automation might lead to a situation where the business may have to close down, and all workers will lose jobs. However, I believe that realisation will dawn soon (even among workers).

■ **On how he intends to build his office automation empire.**
I will rely exclusively on two principles: quality and service. Believe me, in the long run, it is these two factors which make all the difference. And this idea must be instilled in every employee of my companies. It would be a matter of shame for me if a product turns out to be defective and is not serviced or replaced immediately. You see, the product flaunts my name. And, I am here for keeps, not to make a fast buck and run away. The customer is king, and I will always remember that. So will my employees.

The Modi Xerox experience has further shored up my determination. Those who laughed at me now marvel at my foresight.

■ **On his employees.**
My employees get some of the highest salaries in this business. I (therefore) expect them to work and earn their money. They cannot expect to join a Modi company to have a good time. They can look for other pastures then.

■ **On his competitors.**
Where are they? Not a single other company can lay claim to providing absolute customer satisfaction. Even the biggest players concentrate more on marketing products than on satisfying the customer. That way, you can fool some customers for some time, but not all of them all the time. Tell me, has HCL also given adequate attention to this fact?

■ **On his foreign collaborations.**
In my scheme of things, they are indispensable. Firstly, the technology aspect. They have the best, and I have no hesitation in borrowing it for use in India. You don't have to reinvent the wheel. (Indigenisation fans, take note).

Secondly, these multinationals are streets ahead in promoting the corporate culture essential for competitiveness and efficiency. Other companies might have marketing savvy, but they do not have the commitment which the multinationals display. IBM is still the best, but Olivetti is not far behind. And take note, IBM, Olivetti, Rank Xerox and AT&T are companies which have not been swept aside by the Japanese corporate invasion. They will never be, and hence my preference for these multinationals.

■ **On the importance of office automation.**
The future belongs to office automation. It is time to concetrate on office efficiency, not just shopfloor productivity. In India, we talk only of the need for factory automation and very few bother about an equally important aspect: the manager and the clerk also need automation. I would put it this way:it is equally important to invest in white collar (productivity).

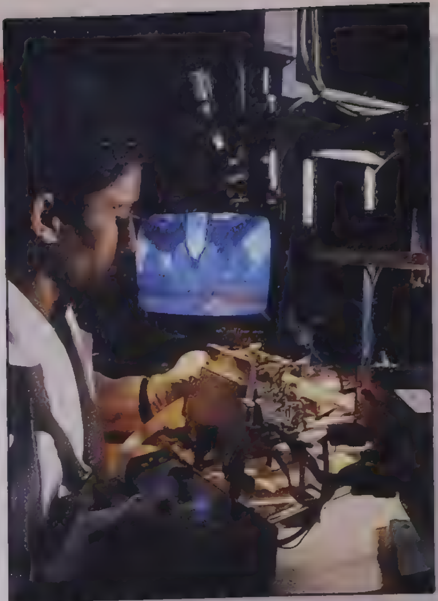
Office automation is essential for another important reason. It greatly facilitates decision-making by the manager. It also transplants the spirit of teamwork from the shopfloor to the office. Most important, it makes information processing manageable. That will make all the difference to the modern manager because he needs information. Besides, the stakes are high; a wrong decision could spell disaster all around

Rs. 27.32 crores and incurred a whopping loss of Rs. 6 crores. Sales improved in the second year, but the red ink stains remained. Meanwhile, the imported copier kit assemblers were merrily making money with low investments and fat margins.

Within no time, cynics started the 'I-told-you-so' chorus. Modi Xerox was all but written off as a grandiose plan which was collapsing under its own weight. But both the helmsman and the company proved them all wrong. In 1986-87, the company made its first profit and now it seems well set for happier days.

Sales in 1987-88 have been over Rs. 80 crores (official figures have yet to be released). Profits have topped Rs. 5 crores. And that is not the only success. Modi Xerox's share of the copier market now stands at a commanding 35% and there are no challengers in sight. "The fast buck operators have run away. Others will have to follow the standards set by Modi Xerox if they want to survive," says Modi.

Meanwhile, the heavy investment in the company is paying off. In 1987-88, Modi Xerox exported components valued at Rs. 12.5 crores. It now has access to the international market in copiers along with the capability to compete. It has consistently overshot its export obligation of 40%. "Why? Because we did not lose faith in quality and service," says Caprihan. Rank Xerox obviously agrees: right now, around a dozen Chinese nationals are being trained at Modi Xerox for the new Rank Xerox company in China.


MOTOR MESHING AT CHANDIGARH PLANT

"Food for thought for those who thought that quality and service are less important," says Modi. And such companies have paid the price. Japanese names like Canon and Fuji have all but disappeared from the market. HCL's copiers are a poor second despite the company's renowned marketing savvy. Kores also has turned out to be a loser.

The moral of the Modi Xerox story is that quality pays and service pays even more. In Modi's scheme of things, a multinational collaboration — especially in marketing — is the best bet.

All three ingredients will be around when Modi Olivetti's first PC hits the market in early 1989. That will be two years after Modi's announcement of his ambitious computer project.

LARGEST MANUFACTURER

Ambitious it is. "It is the largest investment ever in India for a computer company," claims B.K. Gupta, chief executive of Modi Olivetti. To be precise, Rs. 25.6 crores has been sunk into the project. "Modi Olivetti will turn out to be the largest manufacturer of computers in India in a couple of years' time. The company will need a turnover of at least Rs. 110 crores to sustain that kind of investment," explains Gupta.

But Rs. 110 crores is only the short term target. With everybody tomtomming an explosive growth in the computers market in the nineties, Modi Olivetti also expects to share the spoils.

Gupta already has his gameplan chalked out: "By 1993, the computers market will be worth at least Rs. 1,500 crores. Modi Olivetti will account for not less than Rs. 350 crores." This is a trifle overambitious, given that Modi Olivetti has yet to begin production. Besides, there is a tendency to gloss

A PART TO RIVAL THE WHOLE?

What will B.K. Modi inherit if the Rs. 1,000 crore Modi empire cracks up into several satrapies? That's a question which, perhaps, even BK cannot answer. His quest for an office automation empire of his own is evidence of that uncertainty.

By the turn of the eighties, BK's empire could be worth Rs. 400 crores. Even better, the sunrise areas into which BK has charged promise galloping growth. If things work out, his empire could record a turnover of Rs. 1,000 crores by 2001 AD — which is roughly the size of the undivided Modi group at present.

But before BK can appropriate the office automation business, he has the family to contend with. What happens if the sons of K.N. Modi (his uncle) demand Modi Business Machines or Modi Telematics as their slice? "That would be grossly unfair," says R.K. Hari Singh, corporate advisor (international relations) of the Modi group. According to Singh, it is BK who has created the office automation companies from Modi Xerox onwards "with his vision and entrepreneurship."

Relatives' stake. But BK's cousins may not recognise his claims. Besides, the complicated cross-holdings within all the Modi companies may not be easy to unravel. The progenitor is Modi Industries, which spawned Modi Rubber. In turn, Modi Rubber invested in Modi Xerox. The money for Modi Olivetti has come from Modi Xerox. Technically, therefore, all the eight Modi cousins (the five sons of the late Gujar Mal and the three of K.N. Modi) have a stake in BK's high tech companies. And a legal battle could just about make a mess of BK's dreams.

Most insiders, however, support BK. "Everybody knows who the winning horse is. BK is undoubtedly the Modi of the future," says Singh, whose opinion is shared by most top executives in the group. But all of them fear the wrath of the cousins — and hence, keep mum.

If BK really is what he is touted to be, he can build an empire even after a split. The scorching pace set by R.P. Goenka after the three-way split in the Goenka empire in the seventies indicates that family breakups can sometimes act as a spur to entrepreneurship. If BK can do an R.P. Goenka, he will have arrived as an empire-builder in his own right.

over competition which is incredibly tough now and will become ruthless as the stakes are upped.

In the current scenario, HCL leads the pack with an estimated market share of about 25%. More important, the company has itself acquired a reputation for having one of the best marketing teams in the country with chairman Shiv Nader in the van. Then there is Wipro, which is fast closing in on HCL. PCS Data Products, DCM and Nelco, among others, are all angling for a piece of the action. Many could turn streetfighters when the chips are down. Will they allow Modi Olivetti to walk away with a large slice of the pie?

"They have no option," declares Modi. Once again, it seems just so much hype. But his lieutenants have more convincing arguments.

LATEST MODELS

"Our biggest advantage is the tie-up with Olivetti — one of the best known successes in the computer industry in the eighties," says Gupta. According to him, Olivetti will pass on the latest technology to its sister concern — one advantage which almost no other company has right now. The first batch of PCs to roll out of Modi Olivetti's plants will be the 1988 models introduced by Olivetti.

The spin-off benefits are great — at least going by the self-congratulatory clucks of most Modi Olivetti personnel. Says R. Swarup, general manager (manufacturing) of Modi Olivetti: "The PCs will use what is now called the SMP technology. That will make our computers stand out easily in a crowd." The gist of Swarup's rather technical argument is that the PC will pack more power in lesser space. Besides, if Swarup is to be believed, the Modi Olivetti PCs will use one third of the power used by contemporary Indian computers.

But a big plus in technology has sometimes led to a big zero in sales if the marketing has not been right. Modi does not foresee any problems: "Olivetti is committed to this project. At stake is not just its equity, but also its gilt-edged reputation."

The marketing strategy will follow the precedent set by Modi Xerox. "Subtle and honest soft sell," explains Modi. According to Gupta, the clincher will be Olli-service — a Team Xerox kind of after-sales service network.

But there are some riders. Olivetti's representative in Modi Olivetti, P.K. Rantalainen, who is also the commercial director of the Indian company, is less optimistic about prospects here. "The Indian market is effectively limited by the low purchasing power of the consumer. It would not be wise to expect a market size of the kind found in North America or Europe." Still, Rantalainen is confident that, within limitations, there is tremendous potential: "In my country, Finland, a population of 5 million people uses more computers than the 800 million in India. Surely the potential is obvious?"

There is another catch. Modi Olivetti does not appear to be ready for the imminent price war. Relying on quality and service is fine. But this has its limitations. Even IBM had to take note of marauders in the international marketplace who offered poorer products at a lower price. IBM's humiliating loss of its PC market share to Taiwanese and South Korean manufacturers is too well known to document. There is an instance closer home too, when Sterling Computers offered PCs at rock bottom prices. Market leader HCL was forced to strike back.

When Modi Olivetti invades the market, an encore is guaranteed. Says an HCL executive who prefers anonymity: "Our company has painfully built up leadership status over the past many years. It would be foolish to expect us to give up the crown without a no-holds-barred battle."

Neither Modi, nor Gupta, have anything to say about this. And, given the massive Rs. 25.6 crore investment that has gone into Modi Olivetti, matching price cuts will be a tough proposition.

If Modi Olivetti's Achilles heel is price, Modi Business Machines (MBM) will exploit that factor to the hilt. "We will hit HCL and other electronic typewriter manufacturers where it hurts most — the soft underbelly," announces MBM chief executive Raghu Murthy. Incidentally, Murthy is regarded as one of the marketing brains behind Modi Xerox's success. Murthy says MBM will introduce an electronic typewriter which costs Rs. 6,000. The existing price range: between Rs. 10,000-Rs. 14,000.

GUPTA: GAMEPLAN READY

"At one stroke, we will become market leaders. And mind you, MBM will not just snatch the market share from HCL or Godrej. The idea behind the Rs. 6,000 price is to rope in manual typewriter users. A good manual costs as much as Rs. 6,000," says Murthy.

The MBM entry will obviously ignite ruthless competition. But Murthy is not worried: "We are coming out with an entire range of electronic typewriters to cater to every segment of the market." He has got other aces up his sleeve, too. First, MBM will come out with bilingual typewriters. Second, MBM will even tually halve the cost of typing per page compared to other electronic typewriters. Finally, MBM will be backed by Olivetti's technology.

Murthy hopes to sell 9,000 typewriters annually in a couple of years: This means a one-third share of the total estimated market. And, he considers Godrej to be the only significant competitor. "They have an excellent distribution network which at the moment is a big weakness at MBM. But very soon we will have built our network," he says.

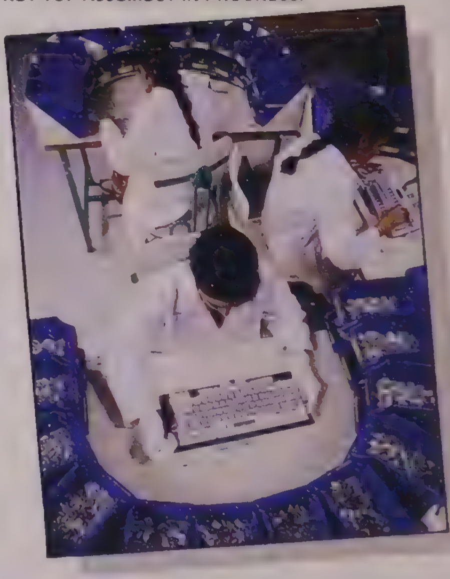
MBM will also manufacture a range of peripherals such as dot matrix printers. Most of the output will be sold to Modi Olivetti, but MBM will also market the remainder independently.

SECOND BEST

One thing is clear: Modi is relying heavily on the Olivetti connection. "After IBM, they are the best," explains Modi. "I did approach IBM because they are *the* best. But when that did not work out, I opted for Olivetti."

Modi Olivetti personnel are only too keen to talk about their chairman's odyssey to Italy. Apparently, Olivetti chairman Carlo de Benedetti was not very interested in the Indian market. But in a long conversation at Olivetti headquarters, Modi managed to convince Benedetti of India's potential. "So much so, that in five minutes, Benedetti made a decision to tie up with BK and put in Rs. 5 crores of equity in Modi Olivetti," says Vijay Gupta, project manager of Modi Xerox.

KEY TOP ASSEMBLY IN PROGRESS.



THE ITALIAN CONNECTION

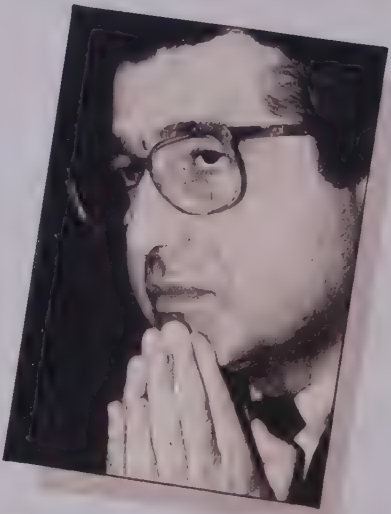
The Modis have an Italian connection, but it has nothing to do with Snamprogetti, better known for its political wheeling-dealing. The tieup with Olivetti, which has earned fame in the international marketplace. And with it, hundreds of millions of dollars in profits.

It is perhaps the only company in the world which has cocked a snook at Big Blue — IBM — and got away with it. In Italy, Olivetti has grabbed 35% of the computer market with IBM ranking second (with 25%). Italy, incidentally, is the only country in Europe where IBM is not No.1.

Will this magic work in India? It should, considering there is no IBM to contend with. But then, Olivetti itself is showing signs of fatigue. Barring Italy, Olivetti has been mauled by IBM elsewhere in Europe and its share of the overall market on the continent has fallen from 12%-13% some time back to a smallish 3%-7%. Computer industry analysts believe that the high-flying chairman of Olivetti, Carlo de Benedetti, has run into inclement weather.

How will all this affect Modi Olivetti's fortunes? Not significantly, according to company spokesmen. That is because Modi Olivetti will be an insignificant outpost of the Olivetti empire. Says P.K. Rantalainen, commercial director of the Indian company and Olivetti's representative in India: "The annual R&D budget of Olivetti exceeds Rs. 500 crores. At best, Modi Olivetti's turnover will be Rs.110 crores per annum in the next two to three years." The implication: small fish like Modi Olivetti will not be affected by upheavals in the parent company. B.K. Modi need not have sleepless nights.

Not invincible. The same cannot be said for Carlo de Benedetti. His company has all but lost out to IBM in the computers race in Europe and even in its traditional line of business — typewriters — Olivetti is no longer invincible.



DE BENEDETTI: PLAYING FOR KEEPS

According to many, the trouble stems from the top. Apparently, chairman Benedetti has bitten off more than he can chew. Riding the crest of Olivetti's dramatic success since he took charge in 1984, Benedetti went on an empire-building spree. He went too fast and too far. Not surprisingly, the media in Europe and the US feel that Benedetti has stretched himself too thin. Says an *International BusinessWeek* report: "...there are signs that Europe's golden boy has overreached himself. He is now fighting battles on half a dozen fronts, and in the process he has offended powerful people in Europe and the US... Profits are off at Olivetti, and its market share is slipping. And his biggest deal ever, the raid on the Belgian holding company, Societe Generale de Belgique, flopped."

But the ripples are unlikely to reach India to ruffle Modi Olivetti, Benedetti's entry vehicle into India. Benedetti appears to have recognised the immense potential which the Indian market offers and is committed to the Modi project however puny it might look by his standards. His interest is evident when he says: "We (Olivetti and the Modi group) share common beliefs and aspirations about the future of the Indian marketplace. Our office automation thrust is a long-term venture."

Benedetti, like B.K. Modi, is playing for keeps.

Modi's so-called persuasive skills also inspired Olivetti to move in with technology for the Modi software park. Rs. 1 crore has already been invested in the park, and Modi wants it to leapfrog into the top bracket, where TCS and Tata Unisys rule the roast. "The initial aim is to support Modi Olivetti's hardware. But eventually, the software park will operate independently," says Prem Shivdasani, advisor to Modi on the software project and former managing director of ICIM. He expects the park to sell Rs. 20 crores worth of software in a few years.

That's Modi's empire as it already exists. There is more on paper: Modi Telematics, with an AT&T tie up, and Modi GBC High-Tech, with a General Binders' collaboration. Add a few other products such as fax machines and the picture is complete.

Or, is it? For, tied up with all these projects is Modi's controversial personality. Some of his ideas are quixotic; others absolutely brilliant. He has people who swear by him; others regard him as a joke with the gift of the gab.

This is not surprising as he is a man with strong opinions. Hear his reasons for not tying up with the big names in Japan, for instance. "Japanese companies are mere imitators. All the basic research is done in North America and Europe. Why should I go to Japanese companies? They have nothing to claim as their own." How many can flick away the Japanese economic miracle so cavalierly?

True to the man, there are stories aplenty about him. When Modi Rubber initiated an economy drive, BK decided to lead by example. He stopped using his helicopter for travelling to the plant, and hopped on to his Rolls Royce instead! Another version: he took the trouble of going in an 'uncomfortable' Mercedes Benz for the sake of the company!

HUMAN TOUCH

There is another facet to his character. According to Hari Singh (quoted earlier), a major factor behind Modi's success is the human touch he adds to his relations with employees. "He is probably the ony Modi who is adulated by workers," he says with a touch of exaggeration. But there is some truth to the claim. A Modi Rubber employee afflicted by TB was sent to a sanatorium for treatment at com-

ASSEMBLY HALL AT MBM PLANT

BIG NAMES, BIG HOPES

There are many ways of making it to the big league. Here's B.K. Modi's: hitch your trailer to to a big multinational name and ride to town with the aid of its technology and marketing clout. Of the six Modi office automation ventures, five have adopted this magic formula. They include:

■ Modi Xerox Ltd., the topnotch copier company in India with a market share of 35%. A Rank Xerox associate, Modi Xerox is awaiting the green signal from the Union government to start manufacturing fascimile machines — again with Rank Xerox technology.

■ Modi Olivetti Ltd., touted as the largest ever computer project in India. An investment of Rs. 25.6 crores and an Olivetti tieup are the highlights. The company will manufacture mini as well as microcomputers. It is aiming for a one-third market share.

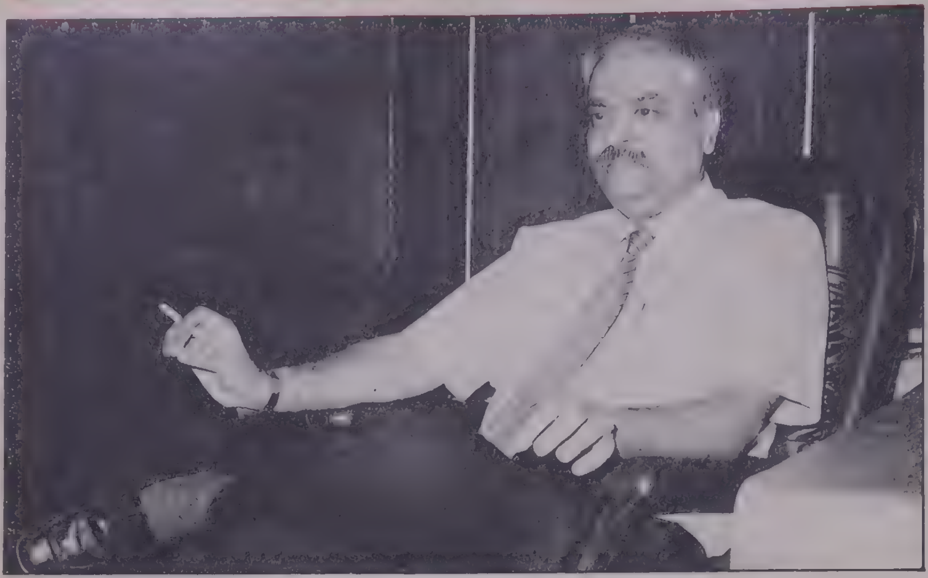
■ The Modi software park. A natural follow-up to Modi Olivetti, this project has eaten up Rs. 1 crore of Modi money. It will complement Modi Olivetti's hardware, to begin with. But in due course, it aims to be a big player in the software market with a targeted turnover of Rs. 15-20 crores in a few years. This is also an Olivetti tieup.

■ Modi Business Machines (MBM) Originally called Punjab Busines Systems, MBM is yet anothe Olivetti collaboration. Its major product is electronic typewriters anc the company hopes to grab a 35% market share. MBM will manufacture almost all the compute peripherals. The total investment — to be made in various stages — wil be a little more than Rs. 6 crores There are no sales targets for computer peripherals.

■ Modi GBC High-Tech Ltd. A Rs. 3 crore venture, the company wil manufacture sophisticated lamination equipment. The tieup is with General Binders Corporation of the US. B.K. Modi prefers not to revea more about this project.

■ Modi Telematics Ltd. is the only one sans a glamorous tieup and perhaps, the most vulnerable of B.K Modi's projects. The company wil manufacture EPABX and RAX systems with technology from the Centre for Development of Telematics (C-DoT). But here too Modi is looking for a big name to latch on to AT&T is the name on everyone's lips. No predictions here as well The investment will total Rs. 3 crores.

Apparently, BK hopes to ride piggyback to fame



MURTHY: MARKETING BRAIN

pany expense for one year. "When I broke my back (literally) playing polo, BK and his wife went beyond the call of courtsey to help me out. More important, when my daughter got married last year, it was BK who received the guests," says Hari Singh. According to Singh, BK inspires employees to give better than their best.

But all this is counterbalanced by the glint of steel and authority too. Every appointment and termination letter has to be routed through, and signed by, Modi. When Modi Xerox's marketing men were not found good enough, dozens were sacked. There was a time in Bombay. in 1987, when almost the entire regional office was either sacked or forced to quit. The result was disastrous, with sales tumbling to less than 50% of average. But Modi is not perturbed by such hiccups. "I pay some of the highest salaries to my men, and I expect them to deliver. Otherwise they can find other pastures," he says.

The rewards for good performance are high. One Modi Xerox sales executive has been consistently earning more than Rs. 2.5 lakhs a year by way of commissions. "He doesn't want to become a manager because he will earn less," says Raghu Murthy. And he is not the only one of his kind.

It is on the high motivation levels of such employees that BK has built his dreams. And his employees aver that his office automation dream will come true. Others pooh-pooh his ambitions. There are also allegations that he is playing to the gallery. But grandstanding apart, if he does manage to even partly achieve his aims, an office automation empire will be his to rule. The king will automatically (and automationally) wear his crown.

■ *Sutanu Guru*

IEL Limited
Registered Office:
34 Chowringhee Road,
Calcutta 700 071

NOTICE

It is hereby notified for the information of the public that IEL Limited proposes to make an application to Central Government in the Department of Company Affairs, New Delhi, under sub-section (4) of Section 23 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the take over of the whole or part of Nalco Chemicals India Limited.

Brief particulars of the proposal are as under:(i) Name and address of the applicant: IEL Limited, 34 Chowringhee Road, Calcutta-700 071

(ii) Name and address of the undertaking the whole or part of which is proposed to be taken over and the manner of take over, i.e. by: acquisition of shares, acquisition of control or management, whether by the acquisition of the ownership of the undertaking or under any mortgage, lease or licence or under any agreement or other arrangement:
(a) Nalco Chemicals India Limited,
29 Netaji Subhas Road,
Calcutta-700 001.
(b) By acquisition of shares
viz. subscription to initial share capital.

(iii) Management structure of the applicant:
IEL Limited is managed by a Board of Directors with a Managing Director and a Wholetime Director.

(iv) Capital structure of
(a) the applicant:
Issued and Paid-up Capital: 40,870,612 Equity Shares of Rs 10/- each:
Rs 4,08,706,120/-
(b) the undertaking proposed to be taken over:
Proposed Issued and
Paid-up Capital:
50,00,000
Equity Shares of Rs 10/- each:
Rs 5,00,00,000/-.

(v) Line(s) of business of the undertaking which will or is likely to emerge as a result of the proposed take over:
Nalco Chemicals India Limited
intends to manufacture Speciality
Chemicals for industrial applications.

(vi) Consideration for the take over:
Not applicable.

(vii) Scheme of finance indicating the source(s) of finance for the proposed take over:
Internal generation.

2. Any person interested in the matter may make a representation to Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, Dr Rajendra Prasad Road, New Delhi, within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein.

R.N. SARKAR
(Secretary)

Dated this 2nd day of June 1988.

TALKING STRAIGHT
LEE IACOCCA

VINTAGE IACOCCA

What has Chrysler chief Lee Iacocca been doing since Iacocca? In the four years since the earlier autobiography has been published he has raised money to give the Statue of Liberty a facelift, bought American Motors, Lamborghini and a piece of Maserati, given a couple of hundred speeches, got married, filed for divorce, etc. And yes, he has written another book. Talking Straight *is incorrigible, inimitable Iacocca at his best. Excerpts:*

Whenever the subject of management comes up, everybody — and I mean everybody, right down to the janitor — seems to have some mystical approach to it. By now there have been about as many books written on management as there have been on diets — and, I might add, with about the same measure of success. There's probably even a grapefruit management book in the works somewhere.

How good are all those diet books? Well, none of them delivers unless you remember to do one thing: Don't eat so much. It's still the only way to lose weight. In the end, if you don't follow through on a few simple principles, what good is reading all those books?

The same is true of management. I got so much reaction to the management tips in my last book that I went back and reread them to see why all these testimonials were crossing my desk. All I'd done was toss out a few broad concepts — my quarterly review system, my firm belief in communication — and yet people were writing from all over the world to tell me they had turned their hardware store or their Good Humour route into a stunning success. I said to myself: I'd better try to figure out what my theory of management is. So here's my contribution to the never-ending debate.

* * *

There are two broad management subjects that business people will argue about until long after I'm dead. One is the role of the staff (or planners) versus the line guys (or doers). The other subject is consensus management versus arbitrary one-man rule.

First things first. Staff, to reduce it to its simplest terms, is what supports the boss. I don't mean who brings the coffee, but who furnishes the information that helps the boss make decisions. The important question that every manager has to answer for himself or herself is: How much staff do I need to run my organisation? In some businesses, often one good secretary will do. At Ford, either because of the family's mentality or the Harvard Business School mentality, you had to plan and analyse down to the last gnat's hair. Before you made a move, you had to examine every alternative and research every factor to be sure you didn't make a mistake. That was the ultimate sin. Ford is so chock-full of staffs that it even has a super staff — the Corporate Strategy and Analysis Staff — which oversees all the other staffs!

DEVIL'S ADVOCATE

My problem at Chrysler is exactly the opposite. I have a ridiculously small staff. My line guys are so aggressive that they may make multimillion dollar mistakes before I've had one alternative to look at. Frankly, I'm so lean on staff that it sometimes scares me. That's why I've recently installed a few staff people, most notable Tom Denomme, who's listed on the chart as my vice-president of corporate strategy.

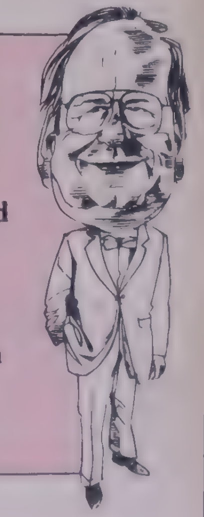
His real title should be Devil's Advocate. He tosses out an idea a minute, some of them a bit off the wall, in order to keep me in constant turmoil. It can get crazy sometimes, but I like it that way because I don't have — or want — a purchasing staff, a marketing staff, an engineering staff, and a manufacturing staff to ride herd on the operating guys who are doing all the work.

My feeling is that if I'm going to err, I'd always err on the side of leanness, because the decision making is faster. Of course, if you get too lean, you'll wind up making momentous decisions with no more information than what the weather is like outside. But you don't need a bloody bureaucracy to make sure everybody's ass (especially the boss's) is covered in case of a screw-up...

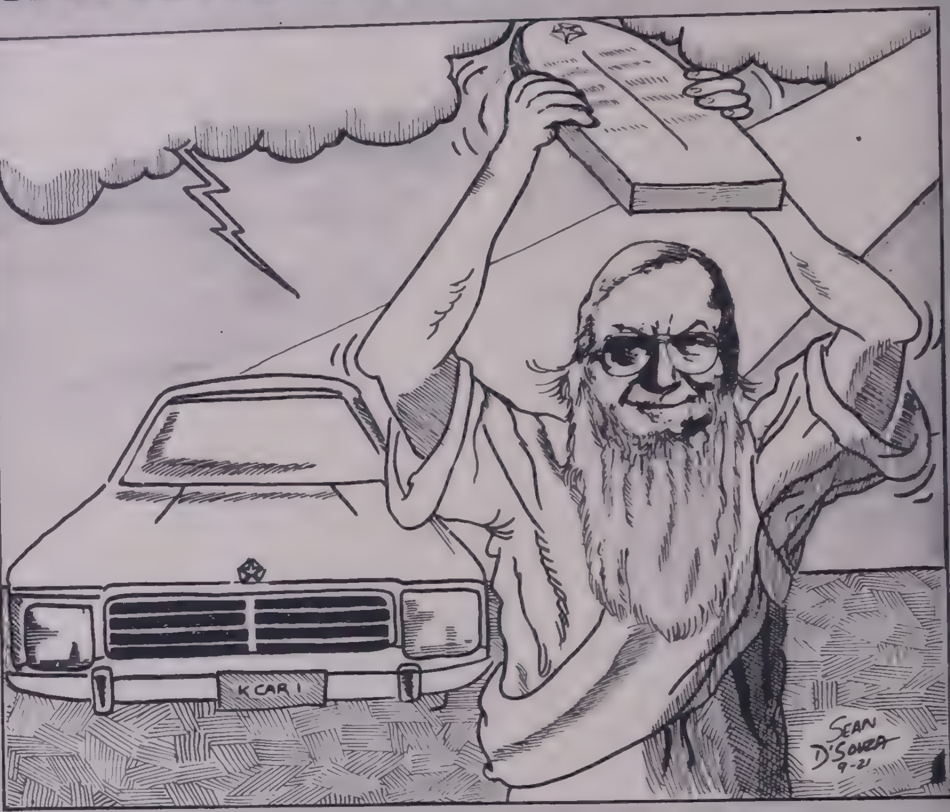
* * *

The big fuss about consensus management is another issue that boils down to a lot of noise about not much. The consensus advocates are great admirers of the Japanese management style. Consensus is what Japan is famous for. Well, I know the Japanese fairly well: they still remember Douglas MacArthur with respect and they still bow down to the Emperor. In my dealings with them, they talk a lot about consensus, but there's always one guy behind the scenes who ends up making the tough decisions.

You don't need a bloody bureaucracy to make sure everybody's ass is covered in case of a screw-up.



THE EIGHT COMMANDMENTS



I'm sure that there are people who think that I could never leave Chrysler. The truth is, I could leave tomorrow. I have plenty of other interests that excite me. When I go off to Italy for a vacation, I never think of Chrysler. Buy by buying AMC, I just fuelled my batteries for a few more years. So I'm going to hang around and nag the guys a little longer.

And when I do go, I guess my only legacy as I turn off the lights and leave is to pin up on the wall my little commandments of management. Whenever my successor gets in a pickle, he might want to take a look at them.

Hire the best. Nothing will make a CEO look better than a talented management team. When I'm asked about how I turned Chrysler around, I always make the point that I didn't do it by myself — a lot of smart, dedicated people did it.

Get your priorities straight and keep a hot list of what you're trying to do. No matter how complex a business is, and ours is pretty complex, I believe you should be able to write down your top priorities on a single sheet of paper.

Say it in English and keep it short. Everyone has seen examples of bureaucratic double talk in written communication. You know what I mean — a long-winded document that takes the reader through two dozen options and alternatives and ends up with any one of six or seven different conclusions. Most of us associate this phenomenon with government bureaucracies. But take my word for it, a lot of double talk exists in corporations as well.

There are three factors behind the mumbo jumbo. First, the almost uncontrollable desire to tell all you know on any given subject. Second, the love of adjectives and adverbs over nouns and verbs. And third, the desire to impress your audience with your depth of vocabulary. I once read a fifteen-page paper that was tough to understand. I called in the author and asked him to explain what was in the tome he had written. He did it in two minutes flat. He identified what we were doing wrong, what we could do to fix it, and what he recommended. When he finished I asked him why he didn't write that in the paper the way he'd just said it to me. He didn't have an answer. All he said was: "I was taught that way." And he was an MBA to boot. Write the way you talk. If you don't talk that way, don't write that way.

Never forget the line makes the money. The political manoeuvring between staff and line organisations is a wasteful and costly exercise. Every chief executive has got to come to grips with how he parcels out authority and accountability between these two groups. So I have a single axiom that helps me remember how to manage these often conflicting organisations. When the chips are down, it's the line organisation that makes the money; the staff doesn't make a dime. I view the role of the staff as primarily to help the CEO do his job and to act as a catalyst to the line. If you really want to get a line group motivated, just float up a "staff idea" with the right amount of "Why didn't you guys think of that?"

Lay out the size of the playing field. I'm a strong believer in letting line operations "operate" — delegating to good people and then letting them do the job. But, you might ask, if the key managers are running the business, what's left for the CEO to do?

I think a big part of my job is what I call "defining the envelope," or setting the limits within which line management can operate on a relatively freewheeling basis. The child has the run of the yard, but the parent has prescribed limits on where he can go and what he can do.

As a CEO, I set limits. I set limits on the total amount of capital that can be spent — but not necessarily on how to spend it. I set limits on the number of executives I want on the payroll — but not who they are. I set limits on the amount of R&D spending I'm willing to support — but not the projects that are funded. And I establish the company priorities, which represent the limits or parameters that set the direction of the whole line effort.

Keep some mavericks around. All CEOs should worry about getting fed a single point of view; that is, a party line that has been filtered, refiltered, homogenised, pasteurised, and synthesised — what we call "cooking the pudding." Without differences in viewpoint, and openness to constructive expression of these differences, a corporation can be led into a lot of bad decisions. There is a real risk in telling the CEO only what he wants to hear and never having any disagreements in his presence.

To guard against this risk, I've always tried to keep some smart people around me who are contrarians, who for whatever reason will not accept very much at face value and are not impressed by the rationale that something is being done in a certain way because it's always been done that way.

Stay in business during alterations. A lot of CEO surveys indicate that long-range planning and strategic planning are seen as among the most important responsibilities for a CEO. I'm not going to argue with that, but I've always felt that making sure you're maximising earnings today is also a key responsibility. It's easy, I think, for an organisation to get mesmerised by long-range plans. On paper, at least, they're neat and squared-off — and always work.

Remember the fundamentals. I have always been a fan of Vince Lombardi, the late great leader of the Green Bay Packers. Although his teams had a fairly versatile offensive game, at least for that period of time, their real strength lay in their adherence to the fundamentals of playing solid football: blocking and tackling, good play execution, and mental discipline. They weren't the fanciest football team of their day, but to watch them run a power sweep with the linemen pulling out and blocking was to see a thing of beauty. It was also a devastatingly effective offensive weapon.

When all is said and done, management is a code of values and judgements. And that's why, in the end, you have to be yourself.

Which brings me to the best rule of management: Pick a style that you're comfortable with and stick with it. You can have the role models, but don't try to be somebody else. Be yourself, stay natural and dammit, smile once in a while!

Someone who's got 200,000 people working for him and who makes a million dollars a year begins to believe his position and his power make him infallible.

It doesn't make sense to me to think that Mr. Toyoda or Mr. Morita of Sony sits around in committee meetings and says, "We've got to get everybody in this organisation, from the janitor up, to agree with this move." The Japanese do believe in their workers' involvement early on and in feedback from employees. And they probably listen better than we do. But you can bet that when the chips are down, the yen stops at the top guy's desk, while we're wasting time trying to emulate something I don't think really exists.

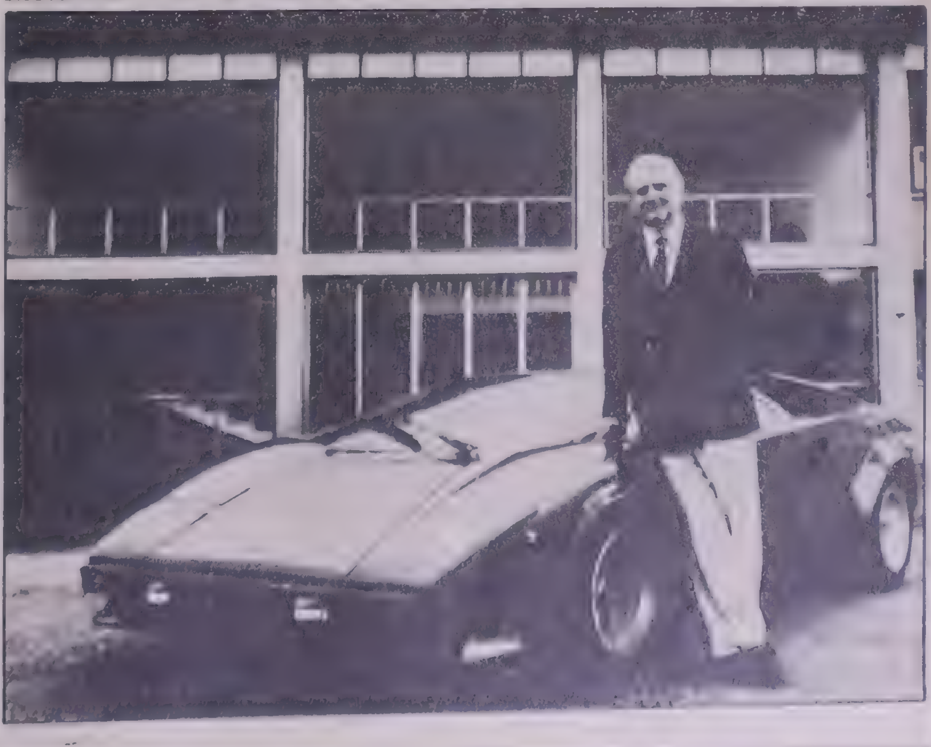
Another thing that a lot of management experts advocate importing from the Far East is that the boss should be one of the boys. Democratic as that philosophy may sound, I don't think it's very practical. If the boss lets his hair down too much, he ends up like Rodney Dangerfield. No respect.

And yet, the boss can't be aloof either. A lot of the guys in the *Fortune 500* seem to feel it's beneath their station even to talk to their own workforce. Someone who's got 200,000 people working for him and who makes a million dollars a year begins to believe his position and his power make him infallible. He forgets to listen. He gets caught up in the clack of all the yes men around him.

My style, I hope, falls somewhere between those extremes. For example, I go to the National Automobile Dealers Association convention every year. In fact I haven't missed one in 30 years. Why? Because my presence tells the dealers in the best way possible that I think they're a vital part of the company. My being with them for a few days is the most effective investment I can make, and so I'm there religiously. I shake hands with the dealers and try to tell them how much I appreciate all their efforts.

Delegation versus the one-man band is another hot topic in management circles these days. The Harvard Business School says "Delegate," so people dutifully do it. But all too many of them never bother

IACOCCA LIKED THE CAR SO MUCH, HE BOUGHT THE COMPANY



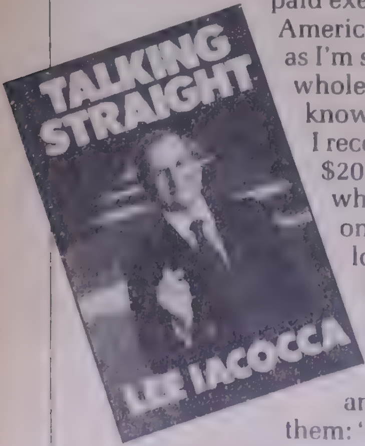
The law is often ambiguous, and the easiest way to stay out of trouble is not to do anything.

to get involved afterwards with the people they delegated to. This is where Reagan ran into trouble in the Iran crisis. The other extreme, of course, is the strong-willed leader who never lets go of anything, who has to be in on every decision. For instance, Donald Trump, the real estate tycoon, signs every check in his organisation. Every check. He's a fanatic about knowing where each and every penny is going. Obviously, that style works for him, but in a big organisation it sure can slow things down.

In the end, you've got to take a little of each approach. Alone with yourself, you have to look in the mirror and analyse your strengths and weaknesses. The stuff you're good at you can hang on to, but the stuff you're lousy at, you delegate. Then you try to learn from the person you delegated to.

EXECUTIVE COMPENSATION

I can't talk about executive compensation without a few words about my own. I made the cover of *Business Week* for being the highest paid executive in America. In 1986, as I'm sure the whole planet knows by now, I received $20.5 million — which covers one hell of a lot of greens fees. When reporters asked me about the amount, I told them: "What can I say? It's like Everett Dirksen used to remark: 'A million here and a million there — before you know it, it runs into real money'."



It's true that $20 million sounds more like Michael Jackson's income for a weekend than the annual pay of a guy who can't carry a tune in the shower. But you have to remember that all of that haul wasn't my salary. The bulk of that monstrous sum was from stock appreciation. My cash income — before taxes, that is — was $1.7 million, including a bonus of $975,000. That's a decent paycheck, all right, but it's not out of line in my cyclical, feast-or-famine industry. All the rest of the money was from stock options I'd been granted over the prior nine years.

FINANCIAL PICTURE

Chrysler, you see, gave me paper nine years ago, when the company's stock was trading at a measly $6, and many people were betting it was on its way to zero. Those were the days when I was earning a buck a year and we couldn't even get the corner delicatessen to carry us for a pastrami sandwich.

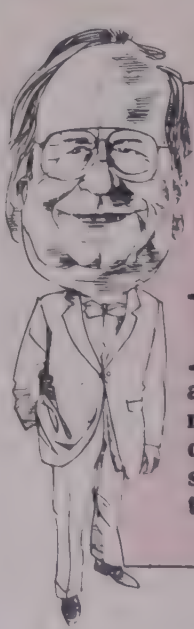
The financial picture has picked up a bit since those desperate days when we were looking death right in the eye. After two stock splits, Chrysler's shares soared to around $47. Am I supposed to apologise for that run-up? Am I supposed to bad-mouth the stock so it goes back down?

By the way, everybody who stuck with me since 1980 and held on to their stock has made a nice pile of money too. By the end of 1986, our total dividends and stock appreciation had added up to an unbelievable 860%, the best performance of any company in the *Fortune 500*. Even I am a little awestruck when I hear that number. And so the portfolio manager, the baker, and the hubcap maker — everyone who clung to their Chrysler stock — made the same 860% that I did. Alas, what goes up must come down, and since the crash of 19 October 1987, all that reported income in stock has dropped in half. I hope when they put me on the cover of *Business Week* next time, they'll remember to make the proper adjustment.

I remember a few years ago when Doug Fraser, who was then head of the United Auto Workers and a member of our board, voted against my bonus and my salary. After he cast his vote, Doug said to me: "Lee, this is nothing personal. I like you, and I think you're doing a terrific job for the company, but I've been with the UAW all my life and the most I've ever made is $75,000 for running that big institution. I don't quite think you need ten times as much as me. After all, how much pasta can you eat?"

That said a lot to me. Fraser is one of the most enlightened leaders in the history of the labour movement, and even he had the mind-set of a true socialist. Our system says that if you strive for excellence and you achieve it, then you get rewarded for it. At the same time, if the business sours, then it's an entirely different ball game. If my stats fall off — if my RBIs and my home runs go to hell and I'm having trouble with the bat — you'd be surprised how fast I'd be off the team. If you don't believe in doing things this way, then you ought to get on the next plane to Switzerland. Because those are the rules we play by here.

Which doesn't mean that I think our system of rewards is necessarily fair, or that there aren't abuses. But I do think that if you helped rebuild a company and beat the odds, you don't need to apologise for winning the game.



If little kids can't aspire to make money the way I did, then what should they aspire to?

So I'm not going to give the money back (though I am going to give much of it away to charity). If I were forced to do that, then it might be time to dismantle the free enterprise system as we know it. Because if little kids can't aspire to make money the way I did — by improving the performance of their company and contributing to the economic well-being of their country — then what should they aspire to?

TALKING STRAIGHT
LEE IACOCCA

Well, then a funny thing happened. Ed Hennessy, the head of Allied-Signal, came to see me. We were chatting about doing something together in the aerospace field. In fact, we had both dropped out of the bidding for Hughes Aircraft at $3 billion. (GM eventually won the bid for $6.2 billion.) So while we were talking about Hughes, he said, "Why don't we buy GM together?"

UNFRIENDLY TAKEOVER

Again, I darn near fell out of my chair. For one thing, I'm against unfriendly takeovers, and with Ross Perot gone from GM's board, you could be sure this would be a world class unfriendly takeover. Can you imagine a canary swallowing a cat this size? But Hennessy started running figures by me, saying that if he could take over all the parts-supply companies and I could take the five auto divisions, the finance company, and the dealers, we'd need only $40 billion. It reminded me of the story where the guy said he bought the Empire State Building for $250 million, but the deal fell through. When asked why, he said, "They wanted a hundred dollars down."

I checked my wallet, and it was a little short of $40 billion. The whole thing still sounded wild, but with some shrewd borrowing, it might have been possible. We sincerely thought we could reorganise the system and use all of GM's best people to propel them ahead of their market rather than behind it. Who knows, I thought, maybe the idea isn't so screwy? After all, if somebody didn't come along from the outside, it might take GM years to restructure from the inside.

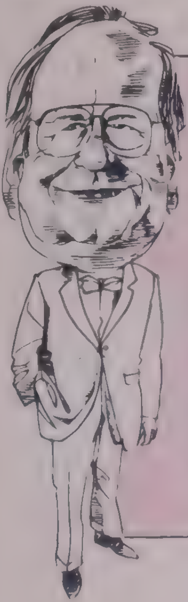
We took one more step. We arranged a secret meeting with Felix Rohatyn, who acts as an adviser to both of our companies. He was pretty excited too. He even suggested that we contact Ross Perot, who usually has a few bucks lying around, to see if he wanted to pitch in.

I went back to tell my guys about these meetings. "You know, fellows," I said, "We had a big argument here about buying AMC; it was a split house. But the ink is hardly dry on that and I'd like to move on another deal — almost as big. We're going to buy General Motors."

Everyone just coughed a little — and then their eyes glazed over.

For the time being, however, GM can relax. After meeting with Felix and Ed, I decided to check with a takeover lawyer on the sly to see about the legalities of the whole thing. Other issues arose, too, such as how do you come up with really big money? In the end, I concluded that it might be easier to buy Greece.

I sort of chuckled to myself, though, that in this day of no antitrust laws and anything goes on Wall Street, almost anyone could actually take a run at GM today and have to be taken seriously. And that's a tragedy.



Chrysler hires platoons of lawyers — to protect themselves from all the lawyers they don't hire.

Lawyers have a corner on the justice market. If you want justice, it isn't free; you have to hire a lawyer to get it for you. And if you get mad at lawyers, you'd better hold your tongue, because the ultimate irony in all this is that the only person who can defend you against a lawyer is another lawyer. So the problem feeds on itself. And that's why companies like Chrysler hire platoons of lawyers — to protect themselves from all the lawyers they don't hire.

Some of our lawyers at Chrysler work full time just to see that we comply with all the laws and regulations that apply to us: environmental laws, safety laws, tax laws, stockmarket regulations, even local zoning laws. We have lawyers review our advertising before it runs and our press releases before they go out. Before we name a new car, the lawyers have to make sure nobody else has prior rights to the name.

Not only that. Our chief financial officer is a lawyer. Our labour relations vice-president is a lawyer. The head of our tax department is a lawyer, and so is the man who directs our state and local government affairs and the man who deals with our securities analysts. We wouldn't dream of holding a board meeting without our chief legal counsel present. And then, of course, we have other lawyers to defend us against the two thousand or so lawsuits that are filed against us for one reason or another every year.

If he's not careful, a CEO can wake up one morning and find the lawyers running the company. With all the statutes and regulations on the books and all the people on the outside waiting for the slightest excuse to sue, it's easy to get paranoid and call in the lawyers to make all the big decisions. The law is often ambiguous, and the easiest way to stay out of trouble is not to do anything.

Of course, that's also a good way to go broke. That's why I look for corporate attorneys who are also solid businessmen. I can't afford to have lawyers around me who simply tell me every day what I can't do. I want lawyers who tell me how to do something and stay within the law, but who still have enough moxie to stand their ground when they have to.

It's crazy. There's not a single clause in our corporate plan about how to break the law or harm somebody. In fact, we hold our people's feet to the fire to see that they obey the law to the letter. And yet we budget millions in advance every year for legal costs. It's become just another cost of doing business, and like every other cost, it's passed along to the consumer

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CAN QCs TAKE ROOT IN INDIA?

In this day and age when management jargon has become part and parcel of every second man's vocabulary, it is probably unnecessary to explain what a quality circle is. For the uninitiated, however, here is a definition: quality circles (QCs) are small voluntary groups functioning in various departments and sections of an enterprise with a view to improving the quality of work-life and raising the level of productivity.

Successful operation of QCs depends on participation and team work. Individualism and egotism have to be made subordinate to the objectives of the group forming a quality circle.

The desire to emulate the successful is a natural and common human trait and has often been the harbinger of beneficial results. But successful adaptation requires an understanding of the values pertaining to tradition, culture and ethos. To figure out how the QC works we should, thus, first take a look at the country of its origin — Japan.

Successful operation of QCs depends on participation and team work. Individualism and egotism have to be made subordinate

What exactly is the essence of the Japanese style of management that has enabled the country to emerge way ahead of other nations in terms of annual productivity growth? Shigeyasu Sakamoto, the youngest vice-president of JMA Consultants Inc., said a few months ago in Oslo that it was not just the prevalent managerial style of Japanese corporations but also the country's unique social as well as corporate culture that helped productivity growth.

Professor Takanori Matsuura, of the Chuba Institute of Technology, amplified this. Most Japanese managers, he said, place great emphasis on *shafu* (corporate culture) and *kei-ei-fudo* (management climate). *Shafu*, according to Matsuura, is the embodiment of the value concepts which are unique to the Japanese people.

Typical are ideals such as harmony; co-existence and co-prosperity; love of the organisation; a community bound together by a common fate; serving the country through industry; groupism (i.e. serving the public through sacrificing oneself); *giri ninjo* (sense of duty); and so on.

Coming back to the QC movement, it has evoked considerable interest everywhere. In the US, industries in Detroit in particular have tried to introduce quality circles for the past few years. But without much success. A cover story in *Fortune* (2nd April 1984) titled "The Trouble With Managing Japanese-style" describes in great detail how the US is not making much headway in absorbing the QC techniques

It would, however, be erroneous to conclude that QCs cannot function anywhere outside Japan. In India, for example, Bharat Heavy Electricals Ltd., Shriram Fibres Ltd., and many other companies have been promoting QCs for some years. From all published reports, it appears as if these companies have been achieving appreciable results. Two questions, nevertheless, remain: How 'appreciable' are the results, as compared to the achievements in Japan, and how sustained and spreading will the movement be over the coming years?

The answers to these questions lie in our own value systems, which were to some extent developed during the freedom struggle. Along with the Quit India movement came a big upsurge in the attitudes of the Indian population. Docility and humility transformed almost overnight into antagonism and aggression. Independence of action and individual self-expression swarmed to the fore.

The most noteworthy factor in all this was the aggressively anarchic stance taken up by college and school students. And in this anarchy was born the value system of today.

To this was added the post-Independence galaxy of legislation which heavily loaded labour laws against management. The word 'company' itself came to be associated with exploitation. And militant trade unionism was the order of the day.

It is under these almost insurmountable odds that Indian industry is keeping its head above the water. The successful operation of quality circles needs the fertile soil of group effort and team work. With individualism and an anti-management stance being *à la mode*, the environment for the blossoming of QCs appears unpromising. But does this mean we have to give up an effective means of raising the levels of industrial productivity?

No. There is a silver lining. The greatest redeeming feature is the public sector. The government is now feeling the pinch most acutely This is probably what provoked the prime minister to state that wages must be linked to productivity and that industrial progress will not be allowed to be thwarted by trade unions. And it is a public sector undertaking, Bhel, which has the largest number of active QCs.

While we should not expect miracles overnight, the present climate is just about right for QCs to take root. This is the time when managements must show foresight in preparing the ground for motivating the workers, particularly the younger generation. The ball is firmly in their court and it is up to them to score or kick it out.

■ *Krish Pennathur*

The author is a former president of the International Federation of Productivity Science.

SONY

GLOBAL SOUND WAVES

Sony Corporation has launched a broad effort to build a manufacturing base in South-east Asia. As a result of the beating the Japanese electronics giant's revenues and profits have taken from the effects of the strong yen, Sony is moving a significant portion of its worldwide production to low-cost locations in South-east Asia.

Just as important, the company is aiming to exploit new markets in a region that promises the fastest growing sales in the world. Sony is investing $150 million, over a two-year period, to set up four plants in Singapore, Malaysia, and Thailand. Sony Precision Engineering Centre (SPEC), a sophisticated manufacturing and software design facility, began production in Singapore last July. Three other factories — Sony Electronics Malaysia in Penang, Sony TV Video (Malaysia) in Kuala Lumpur and Sony Magnetic Products (Thailand) near Bangkok — are scheduled to start up.

If the new strategy is successful, Sony will be on its way towards becoming a more truly international company than it has been. Already, its overseas staffing is starting to reflect the change: Sony has some 70 expatriate executives based around South-east Asia and Hong Kong; two years ago, there were fewer than 10.

The shift of production will have a more profound impact on the company. While Sony has long enjoyed booming sales in North America and Europe for its consumer electronics products, it has always followed a policy of keeping the lion's share of production at home. Last year, overseas sales accounted for two-thirds of total sales. Yet foreign-based production represented only 25% of the whole, as of the end of March. Sony's long-established factories in the US and Western Europe accounted for nearly all of this relatively small slice of total production. In the past, offshore production had a dual purpose. It put at least part of output close to the customers. It also helped Sony avoid problems created by tariffs in Europe and North America.

Slashing costs. But now, under pressure from the strong yen's effect on overseas sales, plus rising costs at home, Sony has come to a realisation most US and European multinational corporations made decades ago: the necessity of moving production offshore to slash costs.

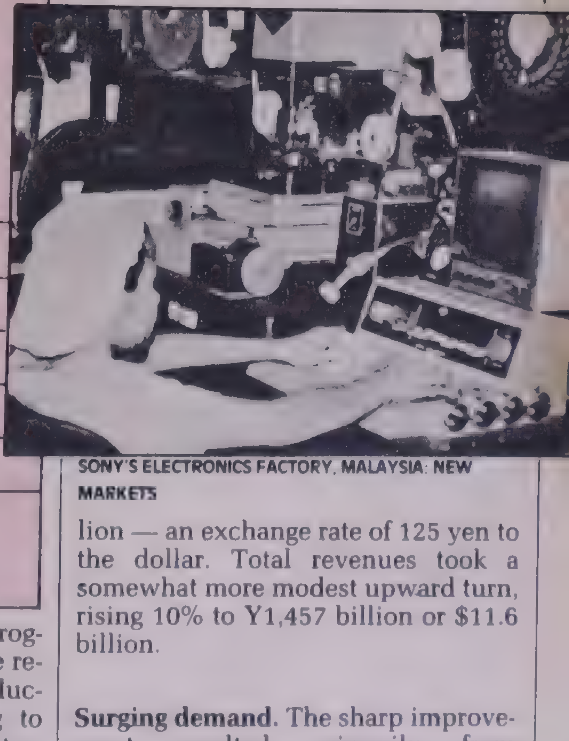
"We realised we couldn't survive unless we started taking advantage of the lower labour costs in South-east Asia," said Mitsuo Kutsukake, managing director of Sony Corporation of Hong Kong. Even Singapore, with the highest-priced labour in Asia outside of Japan, offered hourly wages at the equivalent of $2.37 in 1987. This was only one fifth of Japan's average $11.34 according to a US government study.

> *Under pressure from the strong yen's effect on overseas sales Sony has come to realise the necessity of moving production offshore to slash costs*

The current factory building programme is aimed at pushing up the region's share of total offshore production to at least 50%, according to Takao Yuhara, director of Sony International (Singapore). His company serves as the Sony's financial and logistical headquarters for South-east Asia. Yuhara and Sony officials in Bangkok and Hong Kong said overseas production's share of total company output would rise substantially during the coming years, though they declined to specify a precise target. An industry analyst said he thought the goal was 35% by 1990.

Sony's new strategy is to counter falls in revenues and profits as a result of the rapid rise of the Japanese yen over the past two-and-a-half years. During the 17 months through March 1987, sales fell by 6% in yen terms compared to the year-earlier period. Net profits plummeted 46%. (Sony added a special five-month accounting period ending March 1987 to effect a changeover in its fiscal year, which now begins in April in conformance with usual Japanese practice.)

Results for the year ending 31st March, released 25th May, indicated the worst was over. Net income shot up 47%, to Y36.7 billion which Sony showed in the accounts as $294 million — an exchange rate of 125 yen to the dollar. Total revenues took a somewhat more modest upward turn, rising 10% to Y1,457 billion or $11.6 billion.



SONY'S ELECTRONICS FACTORY, MALAYSIA: NEW MARKETS

Surging demand. The sharp improvement resulted primarily from company-wide, cost-cutting measures, together with surging domestic demand for Sony's consumer products. It is still too soon for the shift to offshore production to have begun contributing significantly to company results.

But the experience of sinking sales

and profits during the earlier period had clearly proved traumatic for a company grown accustomed to years of steadily rising numbers. Thus, the need for more fundamental steps to cut manufacturing costs — particularly by shifting offshore — remained no less urgent.

Besides the attraction of cheap labour, South-east Asia's market potential serves as an equally powerful lure for Sony. Company officers in Singapore, Bangkok and Hong Kong said the booming economies of many countries in East and South-east Asia are lifting the buying power of local consumers so quickly that the region will be Sony's most important new market in coming years. Right now, sales of Sony's consumer electronics goods and industrial-use equipment in South-east Asia amount to about 8% of the worldwide total. Kutsukake said he expected sales in South-east Asia to grow 10%-20% a year, a much higher rate than in more mature markets in North America and Europe.

However, Sony's drive for expanded markets in the region carries the potential for conflict with host governments. Thailand, for one, is actively encouraging Japanese and other foreign companies to establish export-oriented manufacturing ventures in the country. But for firms that have been granted promotional tax incentives, the authorities sharply restrict the level of sales on the domestic market.

Stiff proviso. Sony Magnetic Products — which is shortly to begin production of some $3 million worth of video cassette tapes a month — was granted an initial three-year tax holiday by the Thai government's board of investment. The tax break carried with it a stiff proviso, however, that domestic sales could not exceed 20%.

Still, company officials, speaking from the venture's newly built factory in a new industrial estate 45 km south-east of Bangkok, appeared unconcerned about the limitation. "We expect this market to grow very quickly," said Yoshiro Yamada, president of Sony Magnetic Products. He pointed out that increased domestic sales could be achieved by increasing total production, or negotiating a higher limit. "The government specifies a proportion, not an absolute number," he said.

The factory occupies only one-third of a 52,000 sq.m. site. Future expansion plans involve both increased production of video cassette tapes, and setting up lines for audio cassette tapes — for export and sales to the domestic market.

Sony will pay its 200 workers the Bangkok-area minimum wage of 73 baht (Rs. 58) a day — and given the common flouting of Thailand's labour laws by many domestic companies, workers are generally more than happy to get the official minimum. Sony hopes the low wages will help the company reclaim market share for the standard 1.25 cm videocassette tape lost during the past three years to its competitors, particularly the South Koreans. Sony's magnetic products group already has three factories in Japan, plus one each in the US and France. These facilities will all continue operating. The Japan-based units will shift towards the production of what the company terms "leading edge" products, like 8 mm video tapes used for professional and broadcast-quality purposes. The Bangkok plant's products will be shipped to markets in South-east Asia and East Asia, the Middle East and Africa.

> *Sony's drive for expanded markets in East and South-east Asia carries the potential for conflict with host governments*

Sony's other new production facilities in the region have also been located to benefit from each country's perceived comparative advantages. For SPEC, Singapore's superior infrastructure and high educational levels outweighed the disadvantages of higher wage costs and the tight labour market. The facility, which employs 150, is to serve as Sony's engineering centre for the Asian region, outside of Japan. It manufactures a range of precision components for video cassettes, compact disc players, and micro floppy discs. It also has a research and development laboratory which designs software systems for computer-aided design and manufacturing. SPEC's products are intended for use in Sony plants worldwide.

Pioneer status. SPEC was granted pioneer status by Singapore's economic development board, which could give the company a tax holiday for up to 10 years. The venture easily met government guidelines, which are designed to attract high-technology, high value-added industries.

Sony TV Video (Malaysia) in Kuala Lumpur, which is to begin production by mid-summer, will supply colour TV and components to markets around Asia and West Asia. For both this facility and the new Penang-based Sony Electronics Malaysia, which will make audio equipment, proximity to Singapore was a key attraction, as the two factories' products will be shipped through there. Malaysia's relatively low wage levels was another draw.

The growing role played by Sony International in Singapore reflects the increasing importance of the Asian region — particularly South-east Asia — to the company. The unit was originally moved from Hong Kong in 1984 to take responsibility for sourcing components for Sony facilities in Japan, North America and Europe.

Since then it has evolved into a full-functions regional headquarters on the same organisational level as Sony Corporation of America and Sony Europe, located in West Germany. The choice of Singapore was determined partly by its superior communications and infrastructure. Another factor was the Singapore government's Operational Headquarters (OHQ) scheme. This programme, introduced last year, gives firms with substantial regional activities a tax reduction from the standard 33% to 10% on certain management fees, royalties and other types of income. Sony is the only Japanese company so far to be granted OHQ status.

■ *Carl Goldstein*

(By special arrangement with the Far Eastern Economic Review, Hong Kong).

OLYMPICS

MARKETING GAMES

As the man with the job of selling the Olympic Games on behalf of the International Olympic Committee, Juergen Lenz, executive vice-president of the Lucerne-based International Sports and Leisure Marketing (ISL) and his organisation are a symbol of the modern Olympics. For the first time in its history, the lordly IOC has climbed down into the marketplace and, with the help of ISL, is promoting the Olympics as hard as it knows how.

The company, with a total staff of 135, has offices in New York, London, Paris, Tokyo and Munich. Its headquarters are on the shores of Lake Lucerne. From the office of the chief executive, Klaus Hempel, formerly of Unilever and former assistant to the late Horst Dassler, chief of Adidas which owns 51% of ISL, there is a stunning view of the mountains across the lake.

Slim, multilingual Swiss secretaries wearing designer jeans and T-shirts, the approved uniform of the international sports business, bustle about; in pride of place on the walls of Lenz's office are not pictures of Olympic superstars but the framed logos of the nine multinational companies led by Coca-Cola, Kodak and Visa which are members of the so-called Top Programme — the marketing package devised by ISL which gives each company the exclusive right in its own product area to market the Olympic rings and all the accompanying paraphernalia.

Exclusive pitch. Lenz acknowledges that he is aiming at a limited market. "I reckon that there are no more than 50 companies in the world who could benefit from the Top Programme," he says. "What we are looking for are those small number of companies whose products sell throughout the world." The trick is to raise the ante by giving each company an exclusive pitch. It's not an original thought; the same technique was used in Los Angeles in 1984. But ISL, nothing if not thorough, has greatly refined the concept.

With just under 11 weeks to go before the opening of the games in Seoul on 17th September, ISL has already raised $104 million (Rs. 135 crores) and is looking for a final total of $160 million. But that's only for starters. In addition to the money they have paid ISL to buy the rights, the nine companies will probably spend as much again to support their Top Programme promotion. Thus, the overall cost of the Olympic campaign to a company such as Visa will be, so it is thought, more than $25 million.

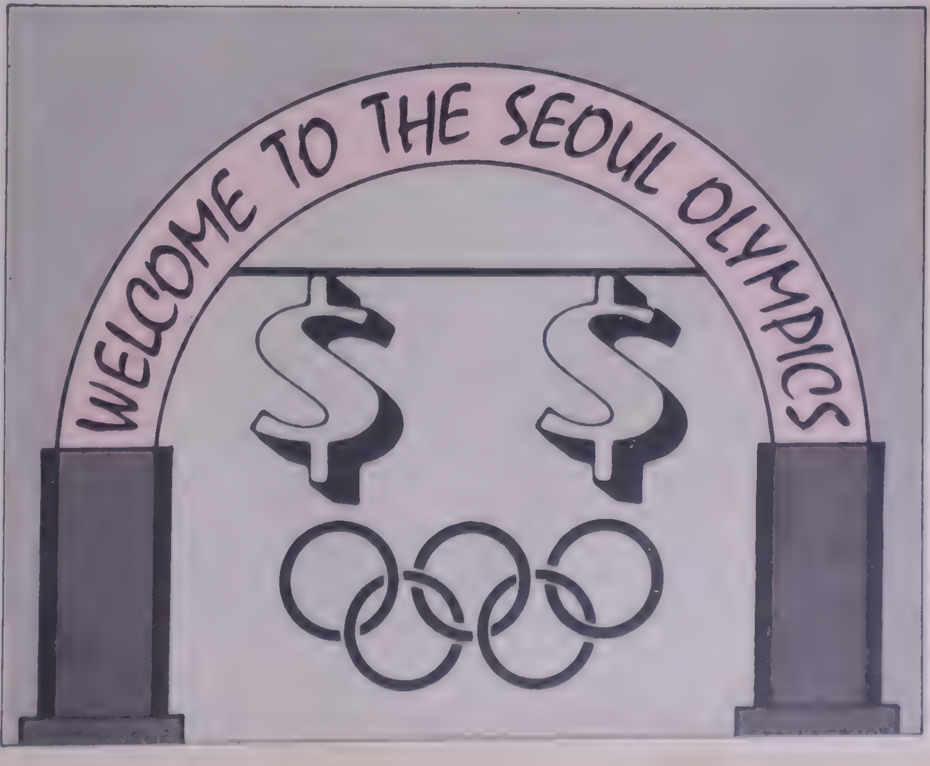
These days the Olympic Games are as much about business as they are about sport. It is not just that the sums involved in mounting and attending the Games grow ever larger. More significant is the realisation by multinational companies of the immense commercial potential not so much of the Games themselves but of the Olympic idea as symbolised by the five interlocking rings. In the topsy-turvy world of marketing what counts is not substance but symbolism, and that is precisely where the Olympics score.

To Lenz, the beauty of the whole thing is that sport, especially Olympic sport, has worldwide appeal. With an Olympic television audience of 12.5 billion, it is a prospect no marketing man could resist. "There are only four things that travel across borders: sports, music, violence and sex," he says. And he adds with a grin: "It's difficult to find sponsors for violence and sex."

It is a message that his customers, for the most part, are eager to hear and quick to respond to. As John Barr of Kodak — which lost out to its great rival, Fuji, in 1984 — told me: "This is one we just had to win. The Olympic Games, like the World Cup, is a classic which gives us a worldwide marketing opportunity."

Sponsorship rivalry. While Kodak is an old hand at Olympic sponsorship, Visa is a first-timer. As the war between the rapidly expanding credit card companies hots up, Visa seized on the Top Programme as an opportunity both to establish its identity and to steal a march on its better-known rivals — notably American Express. ISL first offered the credit card franchise to American Express as one of the sponsors of the '84 Olympics, but the asking price was too steep and so the prize went to Visa.

But what exactly is Visa getting for its $25 million, and is it worth it? Visa has been named as an official sponsor of the Games; its dealers and customers have free tickets, accommodation and privileged access; and, most important of all, the company has the right to use the Olympic rings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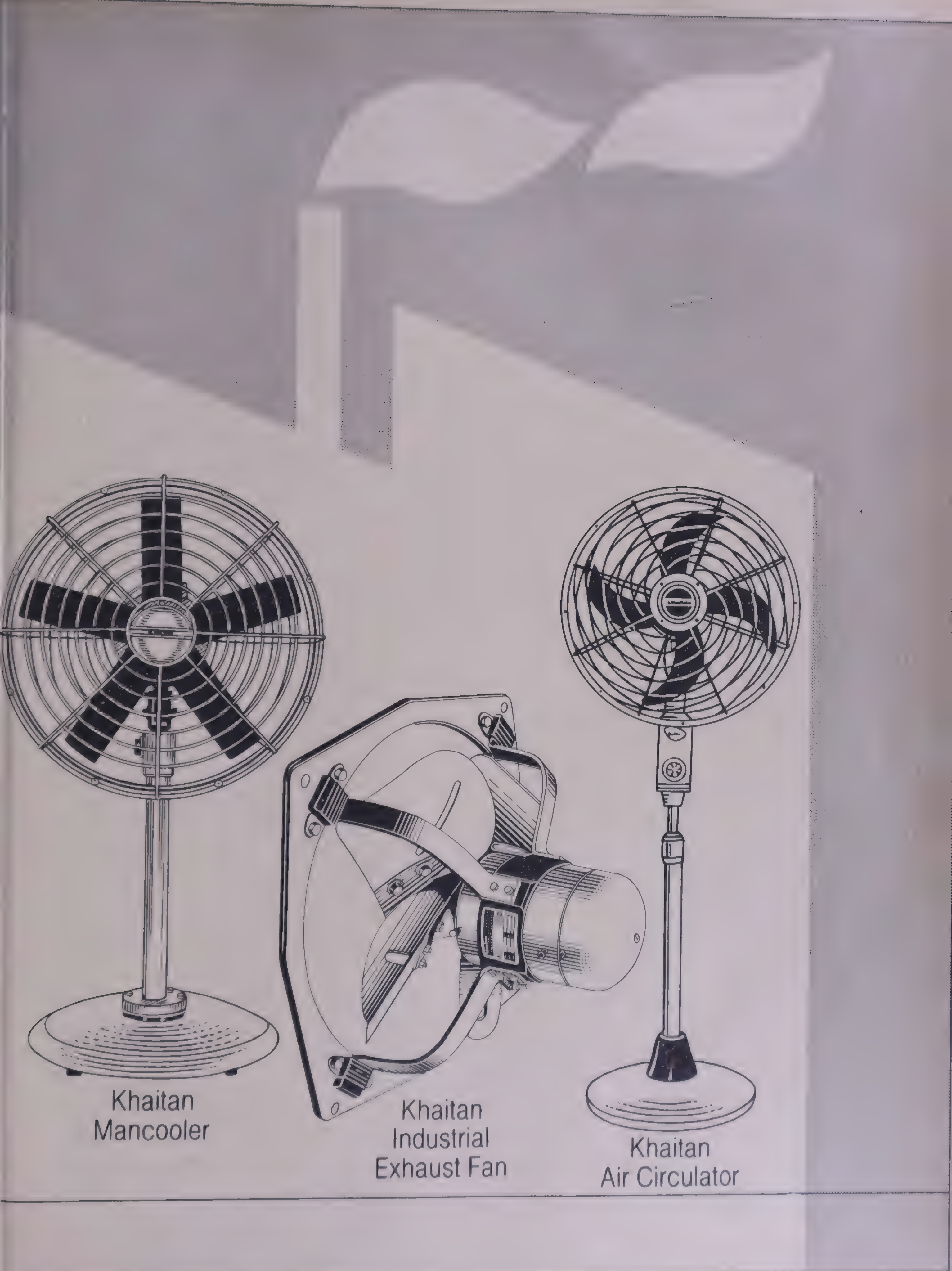
Khaitan
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Industrial
Exhaust Fan
Khaitan
Air Circulator

and the logos of the organising committee and the national Olympic committees (NOCs) on its products across the world. With these cards in its hand, the marketing equivalent of a straight flush, Visa can, or so the theory goes, play a mean game of poker. Just how skilfully these cards are used is up to the 2,000 or so banks that make up the Visa network. Some are more aggressive than others. But according to Sarah Jordan, who handles the European end of the Olympic sponsorship programme for Visa, the investment seems to be paying off.

What Visa is after, she says, is a higher profile and greater customer awareness worldwide. Ever since the Big Push started in March 1986, Visa has been constantly monitoring the results in selected markets — specifically the UK, France, Spain, Sweden and Austria. And in all these countries, so Jordan says, Visa's profile has been rising to the point where it has overtaken American Express and is level-pegging with such traditional sponsors as Philips and Kodak.

The successful commercialisation of the Olympics is, to a large extent, the result of one man's vision: Juan Antonio Samaranch, president and only full-time official of the IOC. Samaranch has enormous power and influence. In his eight years in office Samaranch, in his unobtrusive way, has transformed the IOC from a bumbling, club-like institution into a much sleeker, more businesslike organisation. One of the most visible results of the Samaranch revolution has been the emergence of ISL as a major player in the great Olympic game. And the story of how it happened throws a revealing light on the inner workings of the Olympic family which, on close inspection, turns out to be nothing like as harmonious and united as its members like to pretend.

Hamburger Games. To the outside world the 1984 Olympics in Los Angeles were, in spite of the Russian boycott, a huge success. They received the nickname the Hamburger Games because of the blatantly commercial way in which they were promoted — McDonalds, the hamburger chain, was a major sponsor. It was Peter Ueberroth, a clean-cut, fast-talking Los Angeles entrepreneur who had made his money in the travel business, who set the tone.

Right from the start Ueberroth, as head of the Los Angeles Olympic Organising Committee, pledged that his Games would be different: first, unlike Montreal, whose citizens are still paying off a $1 billion deficit, the people of LA would not be asked for a single cent and second, the Games themselves would make money. He achieved both objectives.

Everybody was very happy — with the exception of the IOC which was furious. Not only did Ueberroth slice a massive £71.5 million for "service facilities" off the £161 million it received from ABC for the US TV rights, a third of which should have gone to the IOC, but Samaranch himself was forced to go begging to the Americans.

The successful commercialisation of the Olympics is, to a large extent, the result of one man's vision: Juan Antonio Samaranch, president of the IOC

After Los Angeles, Samaranch said: "Never again." But even before the 1984 Games, the IOC, which was almost bankrupt, was so worried about its dependence on TV money — its only regular source of income — that it had set up a special three-man committee, one of whose members was Dick Palmer, general secretary of the British Olympic Association, to examine ways of raising cash.

Samaranch put his finger on the problem when he said in 1986: "Until now there has only been one important source of money for us: TV money. That is too dangerous for the Olympic movement. We are trying to get hold of other sources of money."

Samaranch already had an important ally: Horst Dassler, who as head of Adidas had, operating behind the scenes, become even more powerful than Samaranch himself on the international sports scene. Dassler, who died suddenly in 1987, was a brilliant and highly aggressive — some would say, unscrupulous — marketeer. Athletes, officially amateur, were paid to wear the company's shoes and other products and on one occasion pressure was brought to bear on customs officials to block the imports of his competitor, Puma, run by his brother.

But Dassler was much more than a go-getting shoe salesman. Over the years he had built up an extraordinary network of contacts at the top echelons of most major sports. For Dassler, the sports promotion business was merely a logical extension of his existing activities. He seemed the man to help Samaranch solve his problem. The chosen vehicle, ISL Marketing, was, with a staff of five, tiny. But appearances were deceptive. Behind the infant company, as joint owners, were two very large companies indeed: Adidas itself and Japan's Dentsu, the world's largest advertising agency.

Elaborate presentation. In March 1983, at the meeting in New Delhi, ISL made an elaborate presentation to the full session of the IOC. The idea was that ISL, acting as agents for the IOC, should buy from the 164 national Olympic committees throughout the world the rights to the Olympic symbols and then sell them on to a carefully selected group of sponsors. The presentation was a formality. "We gave him the go-ahead because it seemed to us that Dassler and ISL were the only people around capable of doing the job," says Dick Pound, who had an important say in the decision. Mark McCormack's IMG would have loved to have had a go but they were never invited.

Nobody expected that the job would be easy. And it wasn't. The initial problem was not getting the sponsors on board but negotiating with 164 separate NOCs, many of whom — especially the larger ones, like the Americans — already had strong links with sponsors.

One of the peculiar features of the Olympic movement is the autonomy enjoyed by the NOCs. They are in essence self-perpetuating rich men's clubs and their powers, even now, are considerable. The ISL deal drove a coach and horses through these often cosy arrangements. And though the NOCs are still free to wheel and deal with sponsors outside the Top Programme, much of the cream as they saw it, had been removed.

The Top Programme has been less successful than originally hoped. Not only has the ISL lured fewer companies into its net than it originally anticipated — nine against an original target of 20 — but some 11 NOCs, including Cuba, Libya and more surprisingly, Venezuela and Greece have refused point blank to join the Top Programme. However successful ISL might be, one way or another the Olympic Games will never be quite the same again. The athletes' urge for glory may be as strong as ever but to the cold-eyed marketing fraternity this is not what the Olympic Games are all about. They may pay lip service to the Olympic ideal and parrot the movement's motto "Citius, Altius, Fortius" — swifter, higher, stronger. But then the Games are just another opportunity for the hard, hard sell.

■ *Stephen Aris*

(By special arrangement with the Financial Times, *London).*

GOLD

THE FUTURE GLITTERS

Producers never tire of reminding us that if all the gold mined since the beginning of time could be put together in one lump it would make a cube measuring only 16 metres on each side. But gold production is increasing at such a pace that they will soon have to do their calculations all over again. Since 1980, when 950 tonnes of gold was mined, annual production has risen by half to about 1,380 tonnes last year and many forecasters expect the total to reach 1,500 tonnes in the early nineties.

Gold is subject to the normal influences of supply and demand as the price — which in the current decade has been as high as $850 a troy ounce in 1980 and down to $284.25 an ounce in 1985 — clearly indicates. With this in mind, more than 70 producers from seven countries have banded together and are providing $65 million a year to promote their product through a Geneva-based organisation called the World Gold Council.

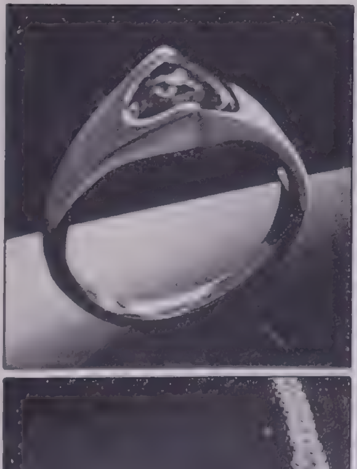
While the budget is large it is by no means large enough to allow the council to promote gold in all its forms in all the world's markets. So some extensive market research has been carried out to establish how the cash can best be spent.

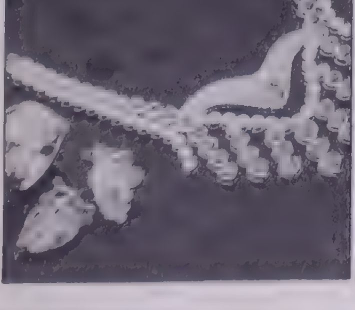
Fundamental rethink. The opportunity for a fundamental rethink arose because just over a year ago the organisation which previously carried the burden of promoting gold round the world, the International Gold Corporation (Intergold), was wound up and replaced by the council. The move reflected the relative decline of South Africa's importance as a gold producer as output in countries such as Australia, Canada and the US grew rapidly. Intergold had been financed by the South African Chamber of Mines.

Research to establish how the new organisation could best use the available money showed that resources should be concentrated primarily on promoting gold jewellery — but only in six major markets (the US, Japan, West Germany, France, Italy, and the UK) and Switzerland. Promoting gold as an investment in the US, West Germany and Japan, should also pay big dividends, the research showed.

The council therefore rationalised its organisation and stopped promoting jewellery in 11 minor markets. It cut the number of offices to nine (Hong Kong, Tokyo, London, Milan, Munich, Paris, New York, Rio de Janeiro and the headquarters in Geneva) by closing down in Brussels, Barcelona and Johannesburg and reduced its staff to 135. According to Elliott "Chick" Hood, chief executive of the council, this gives annual savings of $4.5 million which can be spent more effectively.

That is particularly true for the $45 billion a year jewellery sector where gold has some catching up to do. In the seventies jewellery was the cornerstone of the gold market, taking





60% of all the metal produced. But that cornerstone has been eroding. Jewellery is now taking less than half.

Slower growth. "Jewellery offers potential because in all major countries gold jewellery is growing at a slower rate than income spent on non-essentials," says Hood. Markets which offer particular scope for boosting sales of gold for jewellery are the US and Japan. Judicious promotion could add 89 tonnes to the 211 tonnes sold to the jewellery trade in the US in 1986, while in Japan, research shows the growth potential is 60 more tonnes on top of the current 90 tonnes used.

In contrast, research shows that only 58 tonnes could be expected to be added to the 135 tonnes presently consumed in the four major West European countries. So promotion of jewellery will get $31 million of the council's available cash this year. This includes some $3 million for television advertising in the US.

The council's jewellery division works mainly with the jewellery trade and industry. By doing so it is able to coordinate consumer promotion and stimulate increased direct involvement by the trade in special projects. The council can also more easily monitor consumer and trade developments. Perhaps the most important aspect of this approach is that it enables the council to increase the amount of money available by getting the trade and industry to contribute. This year various companies have guaranteed to provide another $30 million for gold jewellery promotional projects. Hood believes the council is getting this support because the jewellery companies have seen what success its predecessor, Intergold, had in promoting gold jewellery in Japan.

Intergold helped Japanese jewellers to improve the design and quality of their products and then started the Japan Gold Jewellery Fair at which manufacturers can exhibit only if their products achieved certain standards. Every year since it started in 1983 the fair has attracted 15,000 buyers. In the first year orders taken accounted for 10% of all Japan's gold jewellery sales.

That percentage has dropped as sales blossomed. Japan bought an annual 38 tonnes of gold in jewellery in the early eighties. Today it buys 90 tonnes.

Promotion schemes. However, promoting gold as an investment in Japan ranks even higher in the council's list of financial priorities and it has promoted schemes such as gold accumulation plans which enable an investor to commit regular monthly payments to buy gold at the current price so that over a period, say 10 years, he has put together that big lump of gold he always wanted.

> *More than 70 gold producers from seven countries have banded together and are providing $65 million a year to promote their product through a Geneva-based organisation called the World Gold Council*

The council has given help with the formulation of gold accumulation plans not only in Japan, where a gold bullion dealer has launched one, but also in Europe. Eight West German and three Swiss banks now have such schemes which have already attracted more than 10,000 investors.

Winfried Kilp, who is responsible for the council's investment division, which receives about 26% of the available funds, says several more ideas are being worked on but it is essential that any investment product must fit the new technology being used by financial institutions, must make training and information available for sales people and offer incentives at the retail level. The consumer must also be made aware of the product and told where to buy it.

"In the US we have to repackage gold to make it fit the new electronic systems," Kilp points out. "Brokers must be able to bring up on their screens details of gold investment packages. The council is working on that."

A common thread to the council's spending in the investment sector is that the money is all going into areas where the results can be easily measured.

The market for gold bullion coins, which the council is heavily involved in developing and promoting, is a case in point. The use of gold in coins has fallen from an annual 250 million tonnes to 100 million tonnes following the demise of the South African Krugerrand, killed off when sanctions were imposed by the US and Japan in 1984.

A number of mints have been attempting to fill the gap — three new gold bullion coins were launched in 1987 alone — "and we had to run with the ball," Kilp insists. "We feel we can help revive the coin market by offering consultancy services to the mints and bring sales back to the 200 tonnes a year level."

The council is also looking at ways it can involve itself in the European Community harmonisation process, particularly in view of the different approaches to gold coin investment. For example, the UK and West Germany charge VAT on the coins but Italy does not. In France VAT is paid when the coin is re-sold.

"But," says Kilp, "there is a limit to what we can achieve in the coin sector. Getting private funds into gold is the key to a really big expansion in gold as an investment."

Full support. Meanwhile, Hood believes the council's major achievement in its first year has been to win the full support of its members. "The World Gold Council sees its job as educating mining companies worldwide so that they understand they are in the gold business and they need to care about what happens to the gold when they have produced it."

That message has been hammered home partly by the use of statistics. Hood points out that the western world's gold mining industry has an annual turnover of about $10 billion. Spending this year on exploration alone by the gold miners is conservatively estimated at $1.1 billion in the four major production areas.

That means the council's budget, which should help to bring in the buyers, represents only 5.5% of the cash spent to find new gold.

■ *Ken Gooding*

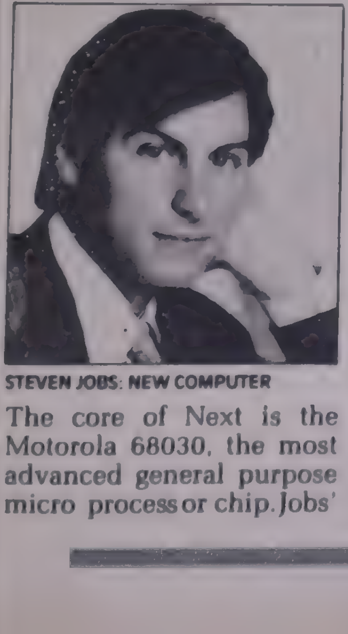
(By special arrangement with the Financial Times, London).

THE APPLE OF JOBS' EYE

What next? Steven Jobs, co-founder of Apple Computers, USA, has been asked this question ever since he quit Apple three years ago. Backed by two of America's leading universities, Stanford and Carnegie-Mellon, and billionaire Ross H. Perot, Jobs has created Next Inc. his new computer company, and is developing a wonder computer by the same name.

The Next Computer has, however, run into problems. The computer, the launch of which was slated for October last and later in February, March and then May, is yet to emerge. The latest flaw that has postponed the launch on 15th June is a problem with the video display.

According to those who have viewed the prototypes of the Next Computer, the machine is beautiful as well as an engineering marvel. They describe it as a "sleek black magnesium cube with space underneath where a keyboard can be neatly hidden, a stereo sound system that rivals the crisp tones of a compact disc player and a jumbo 17-inch B&W display screen."



STEVEN JOBS: NEW COMPUTER

The core of Next is the Motorola 68030, the most advanced general purpose micro processor chip. Jobs' original idea was to create a PC in the low price range of $2,000-5,000, which can give the power of computer workstations like those used by industrial designers.

SECOND THOUGHTS ON PRIVATISATION

Thatcher's government in the UK is probably having second thoughts on privatisation. According to latest reports, Whitehall intends to retain a significant minority stake in all the electricity and water companies which were slated to be sold off to the public in 1989. Apparently, the government would prefer to keep 49% of the equity of such companies. Together, the privatisation of electricity and water companies will net £20-25 billion for the government.

INFLATION HAUNTS CHINA

China, which has been of late opening up its economy, is facing a daunting problem — inflation. Controls on prices have gradually been lifted, leading to a 11% increase in retail prices in the first quarter. Western economists estimate that the figure for the whole year will be 20%.

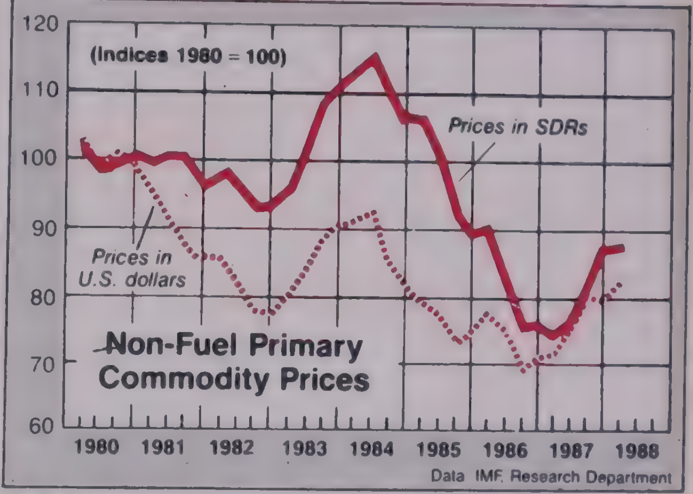
What is really worrying the Chinese leadership is that the inflation might spark off a run on the banks by consumers who may opt to spend today rather than save. Such savings are currently placed at $107.5 billion. This possibility poses "an enormous threat to the newly flourishing consumer market," said Beijing's *Economic Daily* recently.

ENGINE ROLLS OUT

Rolls Royce has launched a new engine for aircraft and has already bagged orders for futuristic models of the Airbus and McDonnell Douglas. Under a recent agreement signed between the engine-maker and the two aircraft manufacturers, the A-330 and MD-11 models will use the state-of-the-art RB-211-524 engine.

The engine, which belongs to the L family, has cost Rolls Royce £300 million to develop. Having bagged the order, Rolls Royce has again beaten General Electric and Pratt & Whitney of the US.

COMMODITY PRICES SOAR



Data: IMF, Research Department

World prices of non-fuel commodities have increased, according to the index of the International Monetary Fund (IMF). IMF's commodity price index, based on 34 non-fuel commodities, has four major components — food, beverages, agricultural raw materials and metals.

After hitting the bottom in 1987, the index has risen by 19% in SDR terms in the first quarter of 1988 compared to the corresponding period in 1987.

Projections for 1988 indicate a more modest increase of 5% in SDR terms, given that the current rate of growth in the industrial countries continues and there are no major supply disruptions.

Prices of metals and agricultural raw materials rose sharply. In the first quarter of 1988, prices of metals were 41% higher (in SDR terms) than a year earlier. In the same period, prices of agricultural raw materials rose 21%. Despite the increase in commodity prices, earnings from exports remained depressed during 1987. Estimated earnings from exports of 19 leading commodities fell by 3% (in SDR terms) compared to 1986. Developing countries registered a 2% rise in export volume and an 8% fall in SDR earnings from non-fuel commodities. By contrast, in industrial countries, which have a better product mix, export volumes rose by 9% and export earnings by 4% in SDR terms.

SCALING DOWN, GENERALLY

As it careens towards the 21st century, the world's largest industrial corporation the General Motors Corp. (GM) recently decided to attempt something it has never done in its 80-year history: shrinking.

Though still holding number one position, GM faces more competition and a smaller share of the car business since the Great Depression. Their scaling down operations over the next five years would involve shedding half-a-dozen factories and almost 100,000 employees, and a possible gutting of some parts-making units that are as old and well-known as GM itself. Seems like the days when bigness was an asset are over — when GM produced more than half of the US's cars and trucks, did twice the business of its nearest rival, and made more money than any other giant.

The company will have to turn away from the growth formula, which, commencing in the twenties had transformed a money-losing grab bag of car companies into a force stronger than many countries. This strategic retreat in automobile capacity will also make GM considerably more General and a lot less Motors.

GM's share of the Big Three sales dropped to just about half.

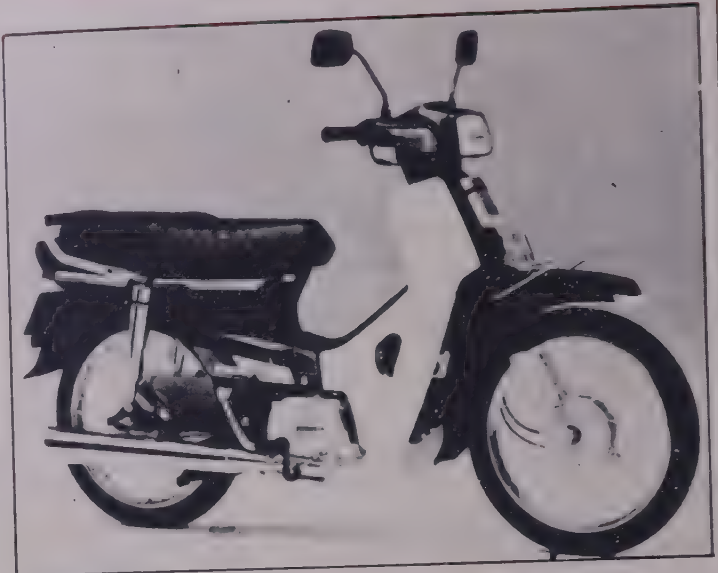
JAPANESE DRIVE INTO US MARKETS

Are the Japanese invincible? Almost. The Japanese share of the US auto market is 28% today, up from 8% 12 years ago and is racing to a staggering 35% in just five years.

In the race to gain more market share, the Japanese automakers in the US led by Toyota and Honda, have taken on the No.1 General Motors (GM) and No.2 Ford. Within 18 months the Japanese will make 1.4 million cars in the US, more than what Chrysler produces. In five years, they will be as big as GM.

How do they do it? At the core is the dedication of workers in a Japanese plant, a culture in which the assembly-line worker maintains his machine, ensures the quality of his work and improves the production process. By squeezing margins and lowering costs Japanese carmakers have overcome the problem of the high-flying yen. Japan's mastery of the manufacturing process has also helped. In a survey conducted worldwide, it was found that Japanese auto plants are 39% more productive than those in Detroit and 88% better than an average factory in Western Europe.

A DEDICATED WORKER



THAI HONDA'S CUB MOTORCYCLE

THE CALL OF HOME

More and more Honda products from different countries are making their way back to Japan. Honda of America Manufacturing is all set to export 500 Gold Wing touring motorcycles and 5,000 Accord Coupés back to the home country.

Also on the anvil are exports from Thai Honda Manufacturing Co. Ltd. The Thailand subsidiary plans to sell 2,000 Cub 100EX motorcycles to Japanese customers this year. The 97cc 4-stroke bike will join the line-up of Cub machines in Japan, currently ranging from 50 cc to 90 cc.

HAVE YEN, WILL TRAVEL

The bright side to the weak dollar is that Japanese tourists chipped in with $2.1 billion to reduce the United States' $60 billion trade deficit with Japan last year. An average of $1,000 was frittered away by each visitor on transportation, gifts, food and lodging.

On the strength of the mighty yen, 2.1 million Japanese tourists visited the US in 1987 and this year's tourist traffic is expected to surge by 32%. The most popular US destination is Hawaii.

Fortunately, the Japanese don't shop for bargains at K-Mart but splurge extravagantly at Bloomingdale's in New York, Neiman Marcus in Houston and Saks in San Francisco for perfume, cosmetics, designer outfits. And popular hangouts in New York include Hermes, Chanel and Louis Vuitton on 57th Street where the most popular bag retails for $360.

Americans hope and expect the shopping jaunts to continue. In July 1987, in fact, the Japanese government doubled the value of goods that can be brought into the country duty free to $1,600. This is four times the limit that US citizens are entitled to.

DESIGNER TYRES

The search for the perfect automobile tyre has long been stymied by what is known in the trade as the "incompatibility dilemma," namely the problem that an improvement made to one design feature will generally have a detrimental effect on another. Now engineers at Bridgestone Corporation in Japan claim to have gone some way towards defying this logic. The focus of this belief is the company's recently introduced RCOT (rolling contour optimisation theory) radial passenger tyre. The patented design offers considerable improvements in performance, says Bridgestone, and 60% of the company's domestic market tyre sales in 1987 featured the new technology.

Bridgestone has also introduced an adaptation of the RCOT design concept for use on truck and bus tyres. This it calls TCOT (tension control optimisation theory). In practical terms the incompatibility problem involves the factors of tyre wear, belt durability and "rolling resistance." The introduction of a low heat-generation tread rubber, designed to cut rolling resistance, is accompanied, for example, by a lowered tyre-wear resistance and a related decline in tyre life.

Similarly, the use of more durable tread rubbers would produce greater heat generation, leading to decreased belt durability and higher rolling resistance. To break out of this impasse, Bridgestone engineers challenged the conventional wisdom concerning the "natural equilibrium shape" of a car tyre. This holds that maximum durability is achieved by ensuring that when a tyre is inflated it demonstrates a uniform cord tension and uniform change in shape.

Computer simulations. For the RCOT tyre, Bridgestone experimented instead with an "unnatural equilibrium shape" based upon the optimum contour of a tyre when it is actually in motion. To establish the characteristics of this contour, the company's engineers used ultra-large computer simulations produced by a specially-developed tyre analysis programme, known as the finite element method (FEM).

This programme has also enabled Bridgestone researchers to study the infinitely complex forces of stress which develop as a tyre is inflated and rolled.

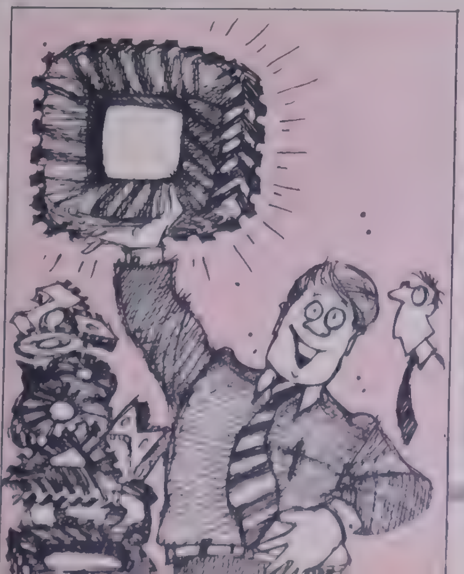
In cross-section, the new RCOT tyre has a slightly flattened appearance even when stationary. As the vehicle accelerates, there is little change in this basic contour, remaining virtually the same even at high speed. Nobuya Yoshimura, director of tyre development at Bridgestone, says that the RCOT design offers 5% to 7% less rolling resistance at speeds of between 50 to 100 kmph. This gives a 1% increase in fuel efficiency, plus a reduction in tyre noise and significant improvement in wet and dry braking speeds.

Evidence of the success of the concept is provided by Porsche, the West German performance-car producer which has chosen RCOT RE71 tyres for its top-of-the-line 200 mph 959 model.

Yoshimura stresses, however, that the real challenge in application of the design came in the truck and bus market. Whereas in the passenger car market buyers tend to make choices merely on a tyre's appearance, commercial users demand stringent performance requirements. "In the passenger market, it is like selling perfume to my wife," says Yoshimura. "But for trucks it is the tyre itself that makes the difference — buyers demand high reliability concerning tyre specifications."

Direct application of the RCOT concept was found to be impractical in the commercial vehicles sector, because of the very high inflation pressures required for truck and bus tyres. The chief problem in truck tyres was also recognised to be strain at the edges of the reinforcing belts.

REINVENTING THE WHEEL



Design features. The TCOT design therefore features an optimum unnatural equilibrium shape formed around a structure which controls tension in the cords and carcass ply, while the basic tyre construction method and materials remain unchanged. Bridgestone claims a decrease in rolling resistance of 3% to 5% in the TCOT tyre, greater durability and an improved resistance to irregular wear.

Both RCOT and TCOT designs mark a shift in the historical approach to tyre design — a move away from the past concentration on improvements in materials and a step towards a preoccupation with tyre shape.

Improvements in materials do, however, still play an important role. Bridgestone has seen particular success with what it calls its SBR compound, developed using a visco-elasticity control technique, whereby the number of monomers in a polymer can be controlled and regulated.

By introducing SBR to tread rubber compounds, reductions of up to 30% in rolling resistance have been claimed. Yoshimura also points out the major contribution that supercomputers now make in tyre research.

"Before supercomputers we already had software for tyre analysis, but the RE71 tyre, for example, could not have been developed without the supercomputer. FEM simulations could have taken 30-50 hours with conventional computers, but now with supercomputers it takes only a few minutes."

Such research efforts come with a hefty price tag, however. In Bridgestone's case, research and development expenses totalled some Y31 billion (Rs.331.4 crores) in 1987.

■ *Roy Garner*

(By special arrangement with the Financial Times, *London)*

GUJARAT STATE FERTILIZERS

P.O. FERTILIZERNAGAR - 391 750, DIST. VADODARA

GSFC CHAIRMAN'S STATEMENT

HIGHLIGHTS

- 1987 CENTRAL BUDGET REFLECTS GOVERNMENTS' PROGRESSIVE FISCAL OUTLOOK, DYNAMISM, FREEDOM FROM CONVENTIONAL THINKING AND A DEEP CONCERN FOR IMPROVING THE SOCIO-ECONOMIC LOT OF THE POOR.
- GOVERNMENT'S DECISION TO REIMBURSE TO FERTILIZER UNITS THE 7½% DISCOUNT PAID TO FARMERS IS INDICATIVE OF ITS ANXIETY TO CONTINUE SUPPORT TO THE FERTILIZER INDUSTRY.
- GSFC STANDS ON THE THRESHOLD OF A BIG LEAP FORWARD WITH ITS MASSIVE EXPANSION AND DIVERSIFICATION PROGRAMME AND EMERGES AS A FULLY INTEGRATED FERTILIZER AND PETROCHEMICAL COMPLEX WITH DIVERSE FACETS OF GROWTH IN THE CORPORATE WORLD.
- GSFC'S EXCELLENCE IN SAFETY AND ENVIRONMENTAL CONTROL LEADS TO NEW RECORDS IN PRODUCTIVITY, TURNOVER AND PROFIT IN 1987.
- GSFC'S PRODUCT-PLUS PHILOSOPHY PAYS RICH DIVIDENDS IN SPITE OF SEVERE DROUGHT CONDITIONS IN GUJARAT AND ELSEWHERE IN THE COUNTRY.
- GSFC'S RS. 1,000 CRORE CORPORATE PLAN WITH A PRODUCT MIX OF PETROCHEMICALS AND FERTILIZERS WILL ENSURE CONTINUED PROFITABILITY AND PROTECT THE INTEREST OF THE SHAREHOLDERS IN FUTURE.
- GSFC'S CEASELESS PURSUIT FOR EXCELLENCE CONTINUES TO BRING SEVERAL NATIONAL AND INTERNATIONAL AWARDS EVEN IN 1987.

Shri H.R. Patankar

The following is the text of the Statement made by Shri H.R. Patankar, Chairman, Gujarat State Fertilizers Company Limited at the Twenty-Sixth Annual General Meeting of the Company held on 7th June, 1988 at the Registered Office of the Company.

GSFC CHAIRMAN'S STATEMENT

Ladies and Gentlemen

Your Company's 26th Annual General Meeting offers me the first ever opportunity to address you as its Chairman and I feel especially privileged to have to do so at a time when your Company stands on the threshold of a big leap forward through one of the massive expansion and diversification programmes ever taken up by a Company integrated with diverse technologies in the fertilizer and petrochemical fields. I extend to you my warm welcome on this occasion and my sincere thanks for having spared time to attend this meeting. The Directors' Report and the Audited Statement of Accounts for the year ended 31st December, 1987 have been with you for sometime and with your permission, I take them as read

An Era of Rejuvenation

One of the most welcome and positive influences on our economy has been the Central Budget announced last year. It reflects one of the most liberal and pragmatic approaches ever shown in our country's fiscal policy. It also symbolises freedom from conventional thinking and a deep concern for improving the living standards of the weaker sections through a series of welfare and growth oriented measures. In my view the budget embodies the very essence of the progressive fiscal outlook of the Finance Minister and the dynamism and able leadership of our Prime Minister. The basic approach in the budget has been to emphasize the need for boosting agriculture, helping the poor and generating more employment, investment and growth. This approach has been well reflected in several schemes announced in the budget. No doubt, the Finance Minister had a tough task especially in the difficult economic environment created by the worst drought in many parts of the country and floods in some areas. However, the economy in general demonstrated remarkable resilience. The budget has proposed different packages of measures which woud go a long way in boosting agricultural production, housing development and generation of employment opportunities. Special social welfare measures for weaker and vulnerable sections of the society proposed in the budget are indeed noteworthy and they would certainly improve their socio-economic well-being. Of particular mention are the schemes for providing fire insurance protection to poor people in rural areas, setting up a separate Social Security Fund by LIC to extend insurance cover to poorer section of the society and introduction of special group insurance schemes for the people engaged in different occupations. Considering the drought situation which has adversely affected the rural economy, special relief by way of 7½% discount on Urea price was announced and this would help the farmers to maintain the tempo of food production. The Government announcement to reimburse to the fertilizer units the amount of discount paid to the farmers is indeed a welcome decision and your Company deeply appreciates this gesture as it indicates Government's concern to continue its support to the fertilizer industry which is the bullwark of the country's economy. A separate additional exemption to the extent of Rs. 3000/- per annum under Section 80L given to cover income from dividend is a step in the right direction as it would provide the much needed fillip to investment in the corporate sector. The special measures announced in the budget to revitalise the selected industries such as cement, textile, electronics, paper and nylon is a well conceived step and it would certainly tone up the general health of these sectors.

The Government's recent announcement of new measures to encourage investment in plant and machinery by reintroducing the investment allowance scheme would also be helpful in hastening the pace of growth. As per the new amendment made in the Income Tax Act, there will be a uniform accounting year for all companies and consequently the next financial year of your Company will end on 31st March, 1989. It will be a year of 15 months from 1st January, 1988 to 31st March, 1989

New Milestones in Production

You will be happy to know that your Company, in spite of the glut situation, continued its production uninterruptedly and closed the year under review with a total production of 8.13 lac MTs and with an aggregate capacity utilisation of about 110% at the Vadodara complex. In the process new records were established during the year. The DAP Plant touched 151% of its capacity utilisation. The Phosphoric Acid Plant touched a new high of 150%. The Melamine Plant recorded the ever highest production of 4660 MTs which is about 93% of its capacity utilisation. The Nylon-6 Plant added another feather to its cap by recording an ever highest capacity utilisation of 104%. The Purge Gas Recovery Plant produced the ever highest 17 lac cubic metres of Argon gas, which is higher by 27% than the previous year. The Caprolactam production however, remained at 77%. This was mainly because of the two major shut-downs during the year, one for revamping and the other due to accidental fire but its working during the available stream days was quite satisfactory. It is, however, heartening to note that the production o Caprolactam has been around 120% of capacity utilisation since January this year, thanks to debottlenecking. You will also be happy to know tha the production at the DAP Sikka Unit is nov extremely good. It has been working at well ove 100% of capacity utilisation since January an subject to the continuous availability of importe Phosphoric Acid throughout the year, th production performance is expected to be quit good during the year. Your Company is als confident that the tempo of high rate of production fertilizers and industrial products will be maintaine throughout the current year, barring unforesee circumstances.

Excellence in Safety and Environmental Control

Your Company understands the fact th production, safety and environment a complementary to each other. Productivity cann excel without safety and environment and t highest norms of safety and environment cann exist if the plants are not well maintained to rea high productivity levels. I should emphasize he that your Company is as much deeply concern about the safety and environment of the villag around it as it is about the employees. Right from t inception, your Company has implemented seve schemes to strengthen the safety apparatus a control environment in and around the GS complex so that your Company's employees a the villagers around can work with confidence a contribute to productivity and progress in th respective areas. Your Company has never look back on spending for environmental control and latest among the schemes is the establishment o 100-metre high chimney which would ab pollution through a wider dispersal of the sta from the Sulphuric Acid Plant.

New Feathers in the Cap

It will be a matter of pride for you that your Comp has continued its march towards excellence added new feathers in its cap from year to yea keeping with its tradition, your Company has prestigious national and international awards achieving highest standards of excellence productivity and safety. Your Company has s record in the fertilizer industry by winning the National Award consecutively for the 5th year fo best overall performance in production Phosphatic fertilizers. Again your Company has the much coveted International Award of Hono the National Safety Council of the United State America for the year 1987 for the managem commitment to safety. Your Company has also the nation's second best productivity performa award of the National Productivity Council of for the year 1987. It has also won the FAI Runne

COMPANY LIMITED

award for the second consecutive year for the best overall performance in production of nitrogenous fertilizers (Ammonia)

Record Turnover

I am proud to share my pleasure with you that your Company's performance during the year was excellent. This excellent performance assumes greater significance in the background of severe drought situation in the country for the third year in succession, adverse conditions such as excessive imports, glut situation and other bottlenecks. Your Company achieved a record turnover of Rs. 357 crores and a substantially higher net profit during the year. I am very happy to mention that your Company as a result, has enhanced the dividend from 27% paid last year to 30% this year even on the enlarged capital. This is the highest dividend ever paid by any Company in the fertilizer industry. Your Company has been following a product-plus philosophy and it is this product-plus approach which has paid rich dividends inspite of severely adverse conditions. It transcends the normal pre-sale and after-sale service and seeks to educate the farmers and consumers through a package of promotion based on the concept that growth and propserity should travel from consumer to company You may be interested to know that there was no scope for sales in Gujarat and Rajasthan because of acute drought situation. Attention was, therefore, concentrated in other States where the situation was better. Additional allocations were realised through Government agencies in view of the brand mage of SARDAR fertilizers in other States and additional supplies were secured in the competitors' Marketing Zone mainly through services rendered to farmers. Inspite of the discount war coupled with many other enticements, the marketing efforts of your Company could withstand the test of time. The dealers and stockists were also required to extend promotional credit and services to farmers. Because of its commitment to value system, your Company maintained the discipline in the market as per the Central Government directive to the ndustry. Within the framework of this Government directive, your Company offered a package of agricultural promotion and services to the farmers through the dealers' network. Demonstrations were conducted on the farmers' fields and the schemes of dry farming, intensive fertilizer promotion and formation of SARDAR farmers' youth clubs were organised for scientific promotion of agriculture. Innovative farming methods and farm input management programmes were also organised mainly to increase per hectare consumption and mprove crop productivity. The product mix of Urea, Ammonium Sulphate and Diammonium Phosphate was fully harnessed for increasing sales to meet the requirement of crop rotation, different types of soils and agro-climate conditions.

t will be of interest to you that your Company has ntroduced a new product strategy with experiments on Ammonium Sulphate Phosphate and Gypsum-coated Urea for the sulphur deficiency soil under the co-ordinated programme with the FAI and FAO. Also evolution of a new scheme for cultivation in the drought prone areas based on the dry farming echnology is taken up. This scheme envisages nnovation in the method of cultivation, cropping pattern and water conservation. Efforts to recover ew areas of orchard cultivation, horticulture, social orestry and fodder cultivation and new research rogrammes are initiated by your Company. The se of Gypsum was augmented through a series of emonstrations aimed at reclaiming saline and lkaline soils. Also experiments were carried out for romoting direct application of Anhydrous mmonia on the farmers' fields

lew Areas of Research

our Company has signed an agreement with nternational Fertilizer Development Centre, USA for establishing a multipurpose Fertilizer Pilot Plant Necessary approval from the Government of India has also been obtained and the project will now be ready for implementation. Recognising the importance of biotechnology in the years to come, your Company has undertaken a project for development of suitable varieties of biopesticides for use in both agriculture and health sectors. As part of its forward-looking approach for research in biotechnology, your Company has also established biotechnology laboratories at its Research Centre in August-1987

A Major Petrochemical Complex with a Diversification & Expansion Programme

Your Company has been undergoing a great change for the past few years and the pace of this change has picked up momentum today. What was once merely a fertilizer unit, your Company has today grown into a monolith of multi-plants, multi-products, multi-technologies and multi-locational petrochemical complex with a high productivity record and a strong financial base.

On the basis of an excellent track-record, your Company has undertaken a massive corporate plan. This corporate plan has got a flying start with the commissioning of the Sikka Coastal DAP plant in a record time of only 17 months against the normal schedule of 36 months. The corporate plan envisages an investment of around Rs. 1000 crores in the various expansion and diversification projects covering a wide range of petrochemicals, industrial gases, plastics and fibre.

Your Company's current corporate growth plan covers caprolactam expansion with an annual capacity of 50,000 MT and around 1 lakh MT of Ammonium Sulphate as coproduct at an estimated cost of Rs. 400 crores. The agreements for the expansion project have already been signed and the work on the project would shortly start. Your Company's co-generation of steam and power project (phase I) is in the advanced stage of construction. It would cost Rs. 33 crores and produce 15 MW of power for captive consumption. Your Company has already undertaken expansion of its co-generation capacity with a capital outlay of Rs 38 crores and a capacity of 25 MW of power.

As you know, Ammonia is a very important input for fertilizer and petrochemical products and your Company has decided to expand its Ammonia capacity by establishing a large capacity Ammonia Plant with 1350 MT/PD at an estimated cost of around Rs. 370 crores. The global bids invited are under scrutiny at present and agreements are expected to be finalised in the next few months. Your Company is actively involved in the implementation of the project of the GIIC sponsored Gujarat Nylons Ltd. This project would cost around Rs. 115 crores and produce 6000 MT of Nylon yarn per annum. Your Company is a leading partner with IPCL, GACL, PETROFILS and Heavy Water Plant of the Department of Atomic Energy, Government of India in establishing the Gujarat Industries Power Company which will generate power and supply it to the participant industries. The site for this project is now shifted near IPCL at Vadodara. Your Company has also got a Letter of Intent for the expansion of its Melamine capacity from the 5000 MTPA to 15000 MTPA. With the assured availability of water, power and vital inputs like ammonia, your Company is firmly saddled to implement the various projects successfully and on time and run them efficiently and profitably with an optimum level of capacity utilisation.

Your Company's total turnover including other income in 1987 was around Rs. 400 crores Considering the expected turnover of the Sikka DAP coastal plant in the current year, your Company's total turnover is expected to be significantly higher in 1988. With the expansion projects going on stream in three to four years, the total turnover is expected to reach a staggering figure of Rs. 1000 crores in the years to come

The share of industrial products in the total turnover is bound to increase gradually ultimately reaching as high as 60% with the commissioning of the expansion and diversification projects in future This product mix of petrochemicals and fertilizers will ensure continued profitability of GSFC which in turn will protect the interest of the Company's shareholders

Your Company has already drawn a blueprint for future diversification and strengthening its petrochemical base in the post 1990 era. Your Company intends to participate in the Gujarat Petrochemicals Complex when the Hajira Gas Cracker Plant would come up. It has applied for a Letter of Intent for the LLDPE downstream with a capacity of one lakh ton per annum. The expected investment in this project would be around Rs. 200 crores

Rights Issue

For financing the Caprolactam Expansion Project and phase II of Co-Generation of Steam and Power Project, your Company proposes, subject to your approval and approval of CCI, to issue partially convertible debentures on Rights Basis only. Since the entire issue is on Rights Basis, only the present shareholders will be benefitted by the proposed issue. As required under government guidelines, a separate amount of Rs. 7.50 crores is also kept reserved for employees. Considering the prevailing market circumstances and the likely future benefits, your Company proposes to keep a moderate premium at which conversion will take place. I am sure, all the members will welcome this issue since your Company has got an opportunity to float such an issue for the first time after its initial issue in 1966

Acknowledgement

May I conclude by joining with you in conveying my grateful thanks to the Government of India, Government of Gujarat, Financial Institutions, Banks and other agencies who have whole heartedly supported us in the fulfilment of our objectives by rendering all possible assistance, support and help.

I am also grateful to my colleagues on the Board for their guidance and contribution. On this occasion, I wish to recall the splendid services rendered by my predecessor and the outgoing Chairman and Managing Director Shri Moosa Raza who has since taken over as Chief Secretary to the Government of Jammu & Kashmir. During his tenure of about six years, he was able to bring about spectacular achievements in production, productivity and the overall progress of the Company. With his purposeful direction, continuous motivation and exemplary leadership and dynamism, the Company has achieved new peaks of productivity and profitability from year to year and today most of the plants, though old and ageing, are working at well over 100% of their capacity utilisation. He has also given a new direction to the futuristic growth of your Company. Incidently, I am also happy to welcome Shri P.V. Swaminathan who has taken over as the Managing Director of your Company

I would also like to extend my sincere thanks to all the members of the staff and officers of your Company for their deep sense of dedication, hard work and exemplary team spirit without which your Company would not have been able to achieve the spectacular progress that it has registered today

—JAI HIND—

Note This does not purport to be a record of proceedings of the Twenty-Sixth Annual General Meeting of the Company

Navnit/252/88

POWER BACK-UP FOR COMPUTERS

Given the plethora of power supply problems in India, power protection systems are becoming increasingly important for computer users. The best system architecture, design, components and software are of little value in battling these problems. Consequently, more and more computer users are going in for power protection systems.

Selecting a power protection system is becoming more complex with the changes in technologies. In the past, users have attempted to obtain a complete and accurate statistical breakdown of the frequency and severity of the power problems they face. They then evaluate the potential impact of each problem on their systems (errors, shutdowns, physical damage), and assign cost estimates to the errors and shutdowns which would have been caused by those problems. Finally, based on this data, users trade off the costs of each power protection system against the remaining costs of the problems left unsolved and make an appropriate choice.

Unfortunately, the process of determining power back-up requirements is not so simple. Accurate data on power problems is difficult to obtain. Several studies have produced some average data, but this may not be valid for any individual site. By far, the best approach is to monitor the power at the specific site, using a system which can detect and log each power problem, developing statistics for a specific site. However, even this data is marginal at best for any period shorter than a year(What will power requirements be next summer, when all the air-conditioners are on? What about during the monsoons?). These factors have led to a lot of trial and error at end-user sites, with some users purchasing power protection equipment which did not perform well and had to be replaced. As a result of the sketchiness of available data on power problems, many users are opting for solid state UPS (uninterruptible power supply) systems simply because, with the proper amount of battery back-up, they are guaranteed to solve 100% of all input power problems.

For the user, evaluating the power problems his system will encounter, is more difficult because the systems may be installed in locations all over the country and many of these locations may be unknown to him at design time. To avoid the potential negative impact that can result from random power problems, more and more users are betting on UPS systems. This trend can be expected to continue as the cost of solid state systems continues to drop.

In India, less than 1% of the electrical power produced is used by sensitive electronic equipment. The remaining 99% is consumed by lighting, heating and electric motors. Not only are these devices insensitive to dirty power, they often pollute the relatively clean power produced by the utilities.

EDP managers and facilities engineers are aware that computer rooms need special power and include it in the design. First-time computer users, however, buy a microcomputer, some software and spare floppy diskettes, and set up a computer centre in the corner of their office or at home. Very little thought is given to the environmental conditions in which the new micro must operate, partly because microcomputers are marketed as office automation equipment that can operate in any environment.

Electrical power disturbances come in different forms; they may be categorised as follows:

Transient (noise spike): A non-recurring, short duration voltage impulse, typically high in voltage but containing only a small amount of energy because of its short duration. Transients are harmful to electronic equipment because the combination of high voltage and sharp rise time often bypasses protective circuitry and cause disruption or damage to the computer.

Surge: A temporary increase in voltage above normal. If a surge is high and lasts long, it can cause extensive damage to equipment.

Radio frequency interference (RFI): Oscillatory signals riding on top of the normal voltage can be highly disruptive to software but rarely cause hardware damage.

Sag (voltage drop): A short term drop in voltage below normal is often caused by a heavy power load, such as an air-conditioner or heater being switched on. Sags are a common occurrence and cause loss of memory but rarely cause damage unless the recovery is accompanied by a surge or transient when the power draining device is switched off again.

Brownout: This is usually a utility-induced voltage reduction. Usually initiated in the summer months when air-conditioning needs increase the utility's electrical load to maximum, brownouts can cause disruption and, in some cases, equipment damage.

Blackout: A blackout is a total loss of power for more than a few milliseconds. A computer power supply stores enough electrical energy to keep the computer going for a very short while — much less than one second. If the power goes off for a second or more, the computer will go down unless it is protected by a battery back-up system.

As if these types of power disturbance were not enough, there are more — often aggravated by improper wiring or grounding techniques.

The solutions to these problems can be as confusing as

> *Many users are opting for solid state UPS systems because with the proper amount of back-up, they are guaranteed to solve 100% of all input power problems*

the problems themselves. However, they can be divided into three categories:

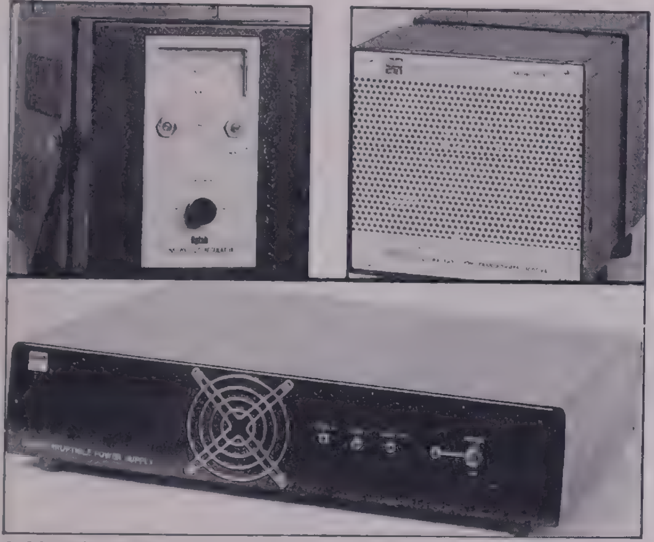
Surge suppressors and filters: These are small boxes or power distribution strips that contain devices to control spikes and high frequency noise. They do not regulate voltage and really should be called transient or spike suppressors because they only dissipate the short duration energy in a transient. They cannot handle the excessive energy in a true surge.

Isolators and regulators. Isolators and regulators: These contain a shielded transformer to isolate the computer from disturbances. They often incorporate voltage regulators to protect against sags and surges. They may incorporate a ferro-resonant transformer, a relatively inexpensive and effective (but somewhat inefficient) voltage regulator.

(Some units employ an autotransformer, a somewhat less expensive approach in which the neutral wire is passed through from line to load. These designs do not reduce common mode noise, a major concern. Units utilising a true primary-secondary transformer should be used.)

Battery back-up systems:These are the only devices that can keep running during a blackout. They are divided into two sub-categories.

Standby power systems (SPS) are off-line until the utility fails, at which point power is supplied from the batteries. SPS are inexpensive but provide little or no protection from other line disturbances. Also, there is a finite switchover time after the power fails and before power is supplied from the battery. Some computers cannot tolerate the resulting voltage drop or transient spike created during the switchover interval.


CLOCKWISE FROM TOP LEFT: VOLTAGE STABILISER,ISOLATION TRANSFORMER, 350VA UPS SYSTEM

In contrast, uninterruptible power supply (UPS) systems work full time: supplying power to the computer, isolating it from power disturbances so that the computer is not even aware that the power failed. Few SPS or UPS units are designed to keep the computer running a long time during a power failure. They typically last 5-15 minutes at full load. This is long enough for users to save their work, shut down, and either wait for the utility power to return or pack up and go home with the knowledge that they can resume work later.

Due to cost considerations, many of these devices supply a square wave rather than the sine wave that comes from the utility. This can be a problem for some computers as the square wave can cause excessive heating in the power transformer, leading to possible premature failure. Also, the harmonics inherent in the square wave can disrupt the computer's normal operation. Thus, the device one has bought to protect the computer can actually cause more problems than it solves.

When it comes to the right level of protection to select, there is an obvious tradeoff in protection *vs* money. For example, one should consider whether the effects of a blackout are serious enough to justify the additional outlay for an SPS or UPS

If the computer, software and accessories represent an investment of Rs. 60,000 the protection cost can be expressed as a percentage of the total system cost running from 10% to 50%. Protection from all disturbances, as provided by an SPS/UPS, can be a substantial addition to system cost. At the other extreme, surge suppressors represent only a small percentage of system cost, but offer less protection.

Studies have shown that total power failure represents a small fraction of utility power aberrations, so frequency of need probably does not justify the higher cost of an SPS/UPS — especially if it exceeds the 10% rule of thumb.

On the other hand, the consequences of even a single outage may justify the cost. On this basis, a strategic military installation would have no trouble justifying the additional cost, neither would a bank or a police department. Many businesses find that the cost of lost information, data reconstruction, customer dissatisfaction, damaged hardware, destroyed programs, and disruption of business are all sufficient justification.

If one does not select the SPS/UPS, the decision is between the surge suppressor and isolator/regulator. As surge suppressors only correct some of the problems, the computer is still vulnerable to some disturbances. If one chooses a surge suppressor, it is vital to get a good one.

If all these are ruled out, what is left is the isolator/regulator. It will correct the vast majority of the aberrations the microcomputer is likely to encounter and will hold the output voltage within ±5-6V, even if the input voltage swings from 90V to 130V or more. The ferro-resonant units are extremely reliable, containing only a transformer and a capacitor. And most will self-limit if a short-circuit appears at the output, thus protecting against overloads. Their biggest drawback is efficiency, especially at less than full load. However, a typical 250W unit operating at 85% efficiency is wasting only about 38W — a negligible amount.

Other kinds of line conditioners are available. Some are more efficient, smaller, lighter in weight, and incorporate other convenience features. But they are usually designed for larger computers and are not cost-effective for microcomputers. Most microcomputer users are assumed to be budget-minded, so the premium units were not considered in this discussion.

As SPS/UPS devices become cheaper, they will probably become the standard. But in the near future, the isolator/regulator is probably the best investment. The worst investment is no protection at all.

■ *T.A. Balasubramanian*

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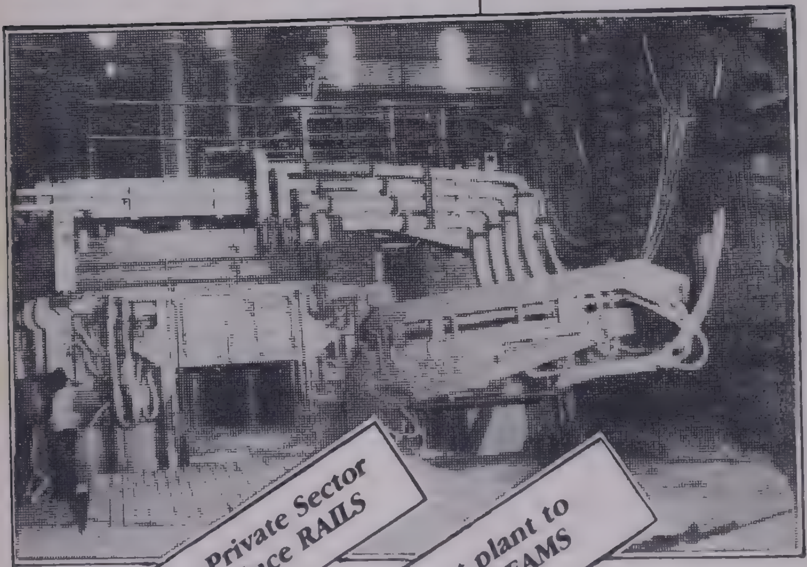

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PRESSMAN

ITINERANT IDEOLOGUE

Amidst the general cacophony of policy pronouncements, his is the voice of consistency. He makes no bones about where he stands on issues economic: to the right of centre. "We want firms that have been exposed to the brutality of competition and thrive on it," he says. And as he criss-crosses the country on his various speaking assignments he drives home the same point forcefully. But with different words. A few months back he told a Delhi audience of industrialists that they must be prepared to face global competition. "You cannot get a P.T. Usha by running in the local league," quoth he. In March last, he admonished a gathering of leasing industry representatives for seeking easy money. "The road to inefficiency is paved with easy access to finance on easy terms."

Who is this itinerant ideologue? And does his ideology find a place in policy?

He is Abid Hussain (61), Planning Commission member and chief advocate of the Rajiv Gandhi government's liberalisation moves. That the liberalisation march has been a stop-go affair so far doesn't worry Hussain too much.

"We must be patient; restruc-
uring takes time," says Hussain the apologist. But he is at his hectoring best when he castigates the vested in-
erests from the bureaucracy, from in-
lustry and from the political systems who are ganging up against change. 'The days of the non-changers are numbered," warns Hussain the cru-
ader.

The roadblocks notwithstanding, here is little doubt that at least some f his views find sympathetic esonance at the policy-naking levels. The selective lelicensing of some industries, he freer import regime, the vhittling down of physical controls, nd the rethink on ublic sector policy can, to ome extent, be attributed to Hussain's verbal crusade for sanity in economic policies.

BUREAUCRAT ECONOMIST

For all that, the man who has been all but annointed high priest of liberalisation might well have vanished into obscure retirement by the end of 1984. But the assassination of Mrs Gandhi that year brought Rajiv Gandhi into the prime minister's *gaddi*. And Rajiv's liberalising instincts brought Abid Hussain a place in the government's official think-tank: the Planning Commission. Barely a few days after he retired on 31st December from government service (he belonged to the IAS), Hussain was nominated a member of the commission. He hasn't looked back since.

He was, and is, well qualified for his new role in government. With Lakshmi Kant Jha no longer on the scene, he is probably the last of the breed of career bureaucrats who have made economic administration their forte. Having served as secretary in both the heavy industry and commerce departments, Hussain can fairly be said to be well-versed in the ins-and-outs of economic administration. Little wonder then, that he has often found himself heading a clutch of committees to reform the ways of administration. He has chaired expert groups on project exports, on external trade and on the functioning of the Council for Scientific and Industrial Research (CSIR). Committee work continues to claim Hussain's time even now: he is presiding over one working group to review the development of the capital market (the report is due by July-end) and another to examine the working of the new textile policy.

Not surprisingly, Hussain today is an integral part of the government's small band of advisers devoted to the cause of liberalisation. The others in this band are Bimal Jalan (chief economic adviser to the government), Montek Singh Ahluwalia (additional secretary in the prime minister's office), Gopi Arora (secretary, ministry of information and broadcasting) and Dr Shankar Acharya (economic adviser, finance ministry).

Hussain's economic philosophy is simply stated. In some industries, he says, greater reliance will have to be placed on market forces and foreign technology. In others, a mere increase in the number of firms will not work; an oligopolistic market structure will have to be consciously encouraged. Hussain also frowns on the current obsession with restricting the size and dominance of certain companies; the latter must be allowed to grow and reap the benefits of scale. Product reservation, in a few areas, has out-

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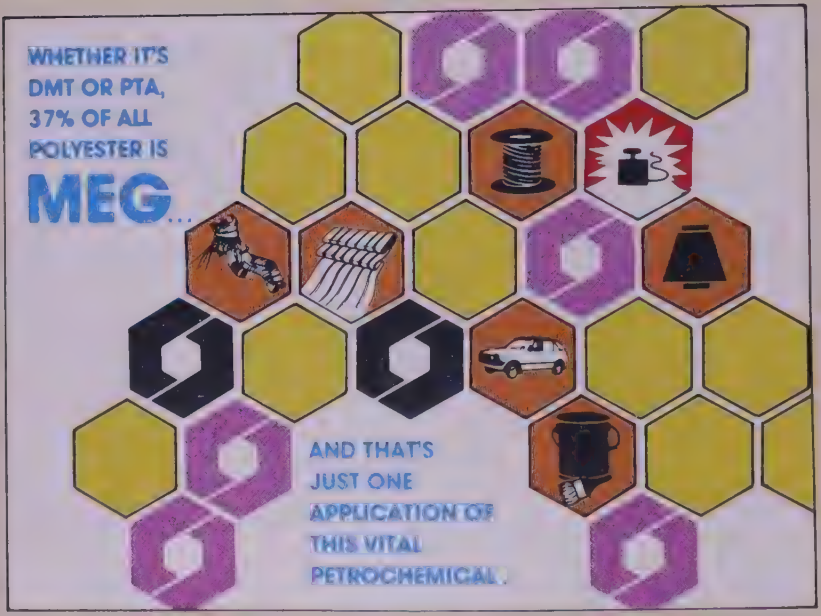
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Sobhagya/124/

lived its utility and will have to be given up because it retards growth and expansion.

According to Hussain, technological change is the key to growth. Investment has so far been the engine of growth in the Indian economy, and the emphasis has been on boosting public investment and outlays. But now, he argues, though savings and public investment levels will have to continue to grow, it is technological change that must become the engine of growth. He argues, further, that competition (both internal and from imports) is necessary for technological development. "In most instances, it is better to allow the market to pick technological winners and losers. We want firms that have been exposed to the brutality of competition and thrive on it, rather than firms that develop soft underbellies by operating in a protected environment for longer than is necessary and that run to the government at the first whiff of trouble in the marketplace."

All this, says Hussain, can be achieved only through an industrial policy that deliberately engineers comparative advantage at the level of the macro economy and competitive advantage at the micro level.

INTERVENTION ADVOCATE

What Hussain is essentially advocating is state-led, interventionist strategies for industrial and technological development, of the kind that have been adopted in Japan and South Korea.

He admits that there is a price to pay in opting for a more market-driven economy. Once market forces begin to have a greater impact and clear market leaders emerge in response to competitive impulses, a shakeout will be inevitable in some ndustries. Exit barriers will then have to be removed, Hussain argues, because standards of technological efficiency cannot be maintained without the possibility of "bankruptcy, as he last resort," of those who fall below such standards. What, then, happens to labour? "They must be helped o get new jobs. They have given their sweat equity' and become part of capital. They are not rags to be just hrown away like that," says Hussain. And this objective can be served by he creation of an unemployment insurance system and by the encouragement of mergers and takeovers.

"Entry has to be free, competition brutal, and existence humane. But it is not beyond our ingenuity to devise humane mechanisms to manage the consequences of competition and market failures," he says grandly. And though he doesn't have much confidence in the ability of the business community to do this, he holds up one example as worthy of emulation. "When the Kirloskars wanted to modernise their compressor unit, they found that if new machinery was to be installed, one-third of their workers would have to be laid off. So they gave the old machinery to the retrenched workers, who now make compressors on their own and sell their production back to the Kirloskars."

If we are not going faster in the direction of liberalisation, it is because we are unable to provide for and overcome the consequences of modernisation

But he is not sure that the business community as a whole — whom he describes as "traders and cow-dung capitalists out to make a quick buck" — is interested in doing such things. In the case of Scooters India, for instance, he feels that it would have been far more constructive if Bajaj Auto and the government had thought of ways of redeploying labour rather than quarrelling over the issue of layoffs.

His ideological leanings notwithstanding, it is apparent that Hussain is not a dyed-in-the-wool Thatcherite who will happily hand sack notices to surplus workers. He is intensely aware that an insensitive approach to labour rationalisation in India could make the entire liberalisation policy come unstuck. "If we are not going faster in the direction of liberalisation, it is because we are unable to provide for and overcome the consequences of modernisation." But, equally, Hussain doesn't have much sympathy for the view that the country should go slow on deregulation and delicensing because of the fear (wholly unjustified, according to him) that technological modernisation will lead to more unemployment and is, therefore, "anti-labour." He is perturbed about the power of vested interests, "especially when such interests from the bureaucracy, from industry itself and from the political system converge to make common cause and attempt to defeat the very purpose of reform or change." But he takes comfort from his belief that "the days of the non-changers are numbered; there are fewer people in the country today who say that there should be no change. There is no case for saying that obsolescence is better than modernisation."

Three years after the liberalisation moves have got underway, Hussain admits "we have barely scratched the surface." Nor has the effort been free of mistakes. "We may have lacked a well-formulated strategy for liberalisation and restructuring. We may not have had a proper sequencing of trade liberalisation with domestic investment liberalisation." But, he argues, it is not abnormal to make new mistakes in the process of correcting old ones — "the key is to recognise them early and take remedial steps quickly."

An elegant wordsmith, Hussain turns to the idiom of dance to make his point that despite the government's own mistakes and opposition from "vested interests," the momentum of the liberalisation juggernaut will not be slowed down. "We may take two steps forward, one step back and one sideways, and then we move on. It's like a cha-cha-cha dance rather than a straight sprint by P.T. Usha. But the rhythm of the cha-cha-cha hasn't been lost."

It won't be, as long as Hussain is part of the orchestra.

■ *Rajiv Shirali*

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CHARGING FOR CHROME

It is leading the Indian charge into the international chrome market. And in spanking style. Indian Charge Chrome Ltd. (ICCL), a 100% export-oriented offshoot of the Indian Metals & Ferro Alloys Ltd. (IMFA) group, is all set to go places.

"We plan on filling the vacuum in the international chrome arena," enthuses a confident B. Panda, chairman of ICCL and the IMFA group. And he could rake in a lot of moolah along the way. Charge chrome, a vital ingredient in the manufacture of stainless and special alloy steels, has been skyrocketing in price. From 40 cents a pound in August 1987 it has nearly doubled to 74 cents a pound in May 1988. The reason is that supplies from South Africa, once a major supplier, have nearly dried up because of the embargo on imports from that country.

"All this means more profits for ICCL," says Panda. The company has set its sights on a turnover of Rs. 109 crores in its very first year of production (1989-90). This is expected to mount to Rs. 131 crores by 1992-93.

Plans short-circuited. ICCL has actually spent quite a few years in hibernation. It was incorporated on 28 December 1982. But the then Union minister for power Arun Nehru short-circuited the company's plans by refusing to allow the setting up of a captive power unit. Considering that the plant was to be located in Orissa, a state chronically short of power, this was felt to be a must. In fact, against the Rs. 47 crore cost of the 50,000 tpa chrome project, the outlay on the captive power plant, which has now been cleared, will be as much as Rs. 169 crores.

PANDA: FILLING A VACUUM

The power plant has been set up with the help of a Swedish consortium which has also guaranteed a minimum output of 700 million units per annum. There is also the possibility of other units coming up in the area banking on ICCL power.

Assured power supply apart, the company has a lot of things going for it. First, it is located close to the high grade chrome ore Sukinda-Nausahi belt. Obtaining the key raw material thus should be no problem.

Secondly, ICCL has roped in Elkem A/S of Norway as its collaborator. Elkem is one of the leading ferro alloy manufacturers and suppliers in the world. The foreign partner will also have an equity stake in ICCL.

Further, ICCL has obtained soft loans — both rupee and foreign. On the foreign component, the interest works out to 7.5% on an average. Considering that the company will have a total foreign borrowing of Rs. 137.02 crores, this works out to a considerable saving. On the total loans of Rs. 169.98 crores the interest will be 9%. "This has greatly reduced the interest burden," says Panda.

Giant leap. The charge chrome venture will be somewhat of a giant leap for Panda. The other companies in his stable are Indian Metals & Ferro Alloys which made a Rs. 1.28 crore profit on a turnover of Rs. 30.67 crores in the year ended 31 December 1987. The auditors have, however, qualified this figure because the company has taken into stock recovered material worth Rs. 2.14 crore which it claims is sellable. Further it has made no provision for Rs. 2.96 crores which has been claimed by the Orissa State Electricity Board as charges for power supplies which are in dispute.

The second company — Indian Metals & Carbide Ltd. — is practically defunct. The activity of the company in 1987 was merely to dispose off a portion of the stock brought forward from the previous year. It did chalk up a Rs. 42,569 profit, as against a Rs. 3.73 lakh loss in 1986, but that was entirely because it leased out its plant and machinery to IMFA. Further, the Kalinga Tubes division had also to be closed down during the year.

For Panda, therefore, ICCL seems a very bold effort. The prognosis seems bright but the track record has been nothing to write home about. ICCL has also come out with a public issue of Rs. 20.8 crores. The future will prove whether chrome can be turned into gold.

■ *Anil Wanvari*

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TATA UNISYS

PROMISING PROSPECTS

Tata Unisys (formerly Tata Burroughs) is all set to achieve significant growth during the current year ending 31 December 1988, the first full year of operations after the merger of the Burroughs and Sperry Corporations.

The merger of these two giants in the computer field, resulting in a new entity styled Unisys Corporation — the second largest computer company in the world — has significantly increased and broadened product offerings of the Indian company. It has been renamed as Tata Unisys to reflect the developments at the parent level.

At the same time, the company has entered the personal computer products market in collaboration with Microsoft and has also taken up the manufacture of mini/micro processor based systems at a new factory set up in Goa.

If the actual half time performance (January to June 1988) is any indication, the sales turnover and profits for 1988 will register a rise of between 25% and 30% over the last year.

Prospects for the coming years are all the more promising. With effect from 1 October 1988, the company will become the exclusive representative for all Unisys products in India. From that day it will officially take over as the sole distributor for the old Sperry Corporation products. As a result, the company's sales turnover will swiftly cross the Rs. 50-crore mark by 1990.

INGERSOLL-RAND

NEW MILESTONES

The sales turnover of Ingersoll-Rand, a well-known Fera company engaged in the manufacture of compressors, will reach the Rs. 100 crore milestone during the current year ending 31 December 1988.

The company is doing quite well this year both in the domestic and export markets. Export sales which had amounted to Rs. 17.66 crores last year — around 25% of the total sales turnover — are expected to touch Rs. 25 crores this year. As export profits have been totally exempted under the tax shelter of 80 HHC, the company's profitability will improve significantly this year.

As the last bonus issue (1:1) was made in 1986, the shareholders can expect another bonus issue only in 1991. Meanwhile the company is likely to further raise the dividend.

BRITANNIA IND

GOOD TIDINGS

There are good tidings for the shareholders of Britannia Industries., the biscuit manufacturing giant which has recently diversified into soya meal products and computer software. The company is travelling smoothly in the current year ending 30 November 1988 and there are bright prospects for 2%-4% hike in dividend than the 24% paid last year.

The company is doing well during the current year in its major business areas of bread and biscuits. Exports of its computer software are also on target. If the actual performance so far is any indication, the company's turnover during 1987-88 will reach Rs. 250 crores. And with increased profitability, the directors will have no difficulty in raising the equity dividend. It may be noted that the rate of dividend was 27% for 1985-86 which was reduced to 24% following the issue of bonus shares in the ratio of 2:5 during 1987.

The outlook for the coming years is also fairly good as the soya project set up in Madhya Pradesh will start running in full swing within the next few months. This will push up the company's sales and profits in the coming years.

Companies this fortnight

(Rs. crores)

	Britannia (year ending November)			Ingersoll (year ending December)			Tata Unisys (year ending December)		
	1985	**1986**	**1987**	**1985**	**1986**	**1987**	**1985**	**1986**	**1987**
Sales	193.50	162.70	194.24	55.10	70.69	77.14	14.26	19.92	27.12
Gross profit	12.56	12.58	15.04	11.10	13.25	15.21	2.98	3.34	3.62
Paid-up capital	8.84	8.84	12.37	3.94	7.89	7.89	3.13	3.13	4.38
Reserves	14.62	10.59	20.97	13.50	15.02	21.33	3.37	4.28	3.62
Gross fixed assets	22.62	24.50	27.80	9.67	12.60	13.10	4.19	6.38	9.36
Dividend (%)	30.00	27.00	24.00	40.00	25.00	30.00	62.50	40.00	22.00
Earnings per share (Rs.)	8.05	8.32	6.37	14.26	9.71	11.00	6.52	6.04	3.54
Paid-up value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on 24th June 1988 (Rs.)			89.00			245.00			90.00

TISCO

MODERNISATION PLANS

The Tata Iron & Steel Co. (Tisco) is planning to invest Rs. 2,200 crores on modernisation and expansion in the next seven years. In the current year, the capital expenditure is expected to be Rs. 300 crores against Rs. 225 crores last year.

The plan involves raising capacity from 1.7 million tonnes per annum to 2.7 million tpa. Internal generation will contribute 40% of the Rs. 2,200 crores, 20% will come from foreign borrowings and the rest from the steel development fund.

Tisco has also gone into a spate of foreign tieups. The first is with Thyssen of West Germany for ensuring a better balance between iron and steel capacities. Timken of the US has been roped in for the proposed bearings project and Steyr of Austria is to help tone up the acquired bearings unit of Metal Box.

Meanwhile, Tisco notched up sales of Rs. 1,526.78 crores in 1987-88 (Rs. 1,416.39 crores in 1986-87). Profit after tax was Rs. 92.15 crores (Rs. 87.52 crores). The company has maintained 25% dividend on an enlarged capital base.

VAM ORGANIC

NEW PROJECT

Vam Organic Chemicals has promoted a new company to manufacture monoethylene glycol. Styled India Glycols, the Rs. 87.50 crore project is coming up at Kashipur with an installed capacity of 20,000 tonnes per annum. For knowhow, the company has tied up with the US-based Scientific Design Co. It is scheduled to commence production by the last quarter of 1988.

To part-finance the project, the company is entering the capital market with an equity issue of 58.05 lakh shares of Rs. 10 each for cash at par.

MEG is a vital raw material in the manufacture of polyester (PFY, PSF, chips, films and resins). Currently the installed capacity of MEG in India is 23,500 tpa. More than 50,000 tpa of MEG are being imported to meet the increasing demand. The Planning Commission expects demand for PSF and PFY to grow to 3 lakh tonnes by 1989-90. This will push up demand for MEG to around 1.11 lakh tonnes.

TATA PRESS

DEPRESSED MARGINS

Competitive pressures and continuous escalation in operating costs have depressed the sales margins of Tata Press. Sales turnover of the company was slightly higher at Rs. 12.88 crores in the year ended 31 March 1988 (*cf.* Rs. 12.55 crores in 1986-87). Gross profit was lower at Rs. 2.57 crores (Rs. 3.07 crores) and profit after tax was Rs. 70.05 lakhs (Rs. 1.01 crores). A dividend of 18% has been recommended on a share capital enhanced by the conversion of the 13.5% convertible bonds on 1 April 1987 (*cf.* 25% in 1986-87).

Some forthcoming public issues

Company	Type	Date	Issue size (Rs.crores)	Purpose
Serene Dyestuff	E	4th July	1.30	Long term working capital
Indian Charge Chrome	E	6th July	10.18	Part-finance the project
Kilburn Reprographics	E	6th July	0.87	Expansion and modernisation
India Glycols	E	11th July	5.80	Long term working capital
Varun Shipping	E	11th July	0.74	Expansion and diversification

ROCHE PRODUCTS

BETTER PROSPECTS

THE ROCHE PRODUCT RANGE

Roche Products Ltd., the Rs. 33 crore turnover multinational, sold more vitamin A in 1987. Consequently, its sales climbed 7% above the previous year's level of Rs. 31 crores. It could not attain its profit targets, however, mainly because of higher labour costs.

Wage levels mounted in the latter half of 1987 following wage and service condition agreements with the two unions. Thus, gross profits were only slightly higher at Rs. 2.24 crores (Rs. 1.48 crores in 1986), while the net profit was Rs. 1.12 crores (Rs. 1.04 crores in 1986).

This year promises to be better as the new, and more liberal drugs (prices control) order has come into effect from August 1987. The company expects healthier results in the year ending 31 December 1988. In anticipation of sunnier days, perhaps, the directors have recommended a dividend of 14%, as against 12% in 1986.

JAYABHARAT CREDIT

ENCOURAGING TRENDS

The Jayabharat Credit & Investment Co. has had a good year in 1987. The company has earned a profit before tax of Rs. 1.03 crores in 1987 (*cf.* Rs. 87 lakhs in

1986). Hire purchase stock went up to Rs. 20.76 crores from Rs. 18.92 crores. The company has maintained its dividend at 20% for the fourth year. In 1987 the company had raised its equity capital to Rs. 3 crores.

TELCO

CREDITABLE PERFORMANCE

Telco is back on the fast track again. The company has substantially improved its profits in the year ended 31st March 1988.

The total income of the company chugged along at Rs. 1,402.55 crores in 1987-88 (*cf.* Rs. 1,196.89 crores in the previous year). Gross profits have increased to Rs. 147.85 crores (Rs. 96.01 crores). Profit after tax has accelerated to Rs. 26.95 crores compared to Rs. 2.93 crores in the previous year. Meanwhile, vehicle sales increased to 56,168 (including 8,830 LCVs) from 50,754 (including 5,045 LCVs) in the previous year. The value of exports went up by 30% to Rs. 50 crores. The dividend has been recommended at 23% (*cf.* 10% in the previous year).

COLOUR CHEM

A COLOURLESS YEAR

Quite a few companies have been caught in a bind by the tumbling rupee. One among these is Colour Chem, whose raw material costs (mainly imports) leapfrogged in 1987-88. Though sales rose 9% to Rs. 73.24 crores, profit after tax slumped to Rs. 2.98 crores from Rs. 3.37 crores a year earlier.

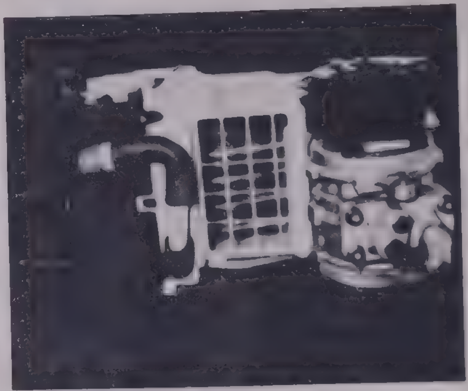
Among the company's products only leather chemicals sold well, spurred by the burgeoning export trade in leather goods. Dyes for the textile industry sold slightly less than in 1986-87, while sales of pigments for non-textile applications were indifferent. The company's export earnings presented a solitary bright spot — they hopped up by 9% to Rs. 9.12 crores.

The board of directors have recommended a marginally higher dividend of Rs. 20 per share, as against Rs. 18 in the previous year. A bold move, in an essentially colourless year.

SUBROS

COOL RIDER

This is one company which loves taking its customers for a cool ride, literally. Subros Ltd., a Delhi-based manufacturer of airconditioning kits for Maruti, is setting up shop in Noida Phase II about 28 km from Delhi. The project is expected to produce 50,000 automotive airconditioners per annum. For knowhow, Subros has collaborated with Nippondenso Co. and Suzuki Motor Co. of Japan. The company has already supplied 30,000 ACs to Maruti since its inception in June 1986. To date the company has notched up a turnover of Rs. 44 crores.



SUBROS' AC UNIT

The management is developing AC systems for the Premier 118 NE and the Maruti Gypsy. The company is going public in mid-July with an issue of 12,75,000 shares of Rs. 10 each to meet project costs.

NAGPUR ALLOY

MAIDEN DIVIDEND

Nagpur Alloy Castings Ltd. has cast its net far and wide. Its catch includes higher profits and sales for the year ended 31 December 1987.

The prize catch of all is the sales turnover, which has spurted by 159.15% to Rs. 8.35 crores in 1987. Pre-tax profit crossed the Rs. 1 crore mark and settled at Rs. 1.42 crores compared to Rs. 44.23 lakhs in 1986. Net profit was close behind at Rs. 1.19 crores (*cf.* Rs. 3.87 lakhs) in the previous year. The board of directors has recommended a maiden dividend of 20% for the year.

Meanwhile, performance in the first five months of 1988 is slated to have been a tremendous improvement over that of the corresponding period in 1987. The company has also embarked on a Rs. 2 crore expansion programme by doubling the existing production capacity. The programme is likely to be completed by end-1990.

BOMBAY TYRES

TURNING AROUND

Bombay Tyres International (BTI) has turned the corner after being debilitated by a 13-month lockout. BTI notched up a sales turnover of Rs. 40.21 crores and made a net profit of Rs. 1.01 crores as net profit, in the six-month period from November 1987 to April 1988 (production, however commenced in January 1988), besides adding Rs. 1 crore worth of exports to the company's order books. This compared to a turnover of Rs. 1.12 crores, and a loss of Rs. 3.55 crores over the same period in 1986-87.

CANARA BANK

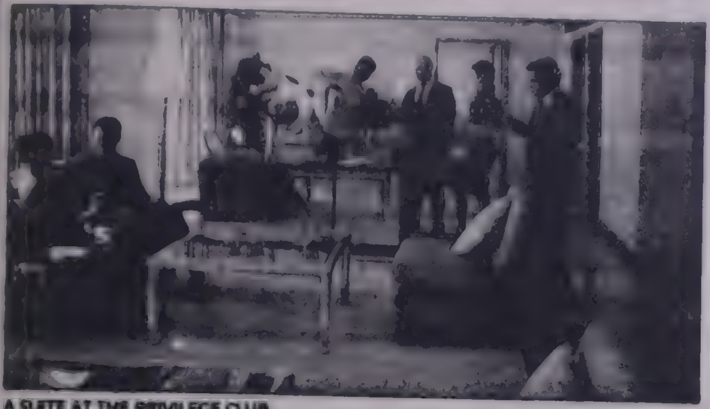
STERLING PERFORMANCE

The Canstock and Canshare schemes of Canara Bank have performed much better than promised by the promoters.

As far as Canstock goes, the trustees had assured a minimum return of 12.5% per annum at the time of the public issue in January this year. In the interim income distribution, however, the return works out to Rs. 5.73 per Canstock — an annualised yield of 13%.

The Canshare too has put in a sterling performance. No minimum return had been assured to investors as this was a pure growth scheme. In four months, however, the net asset value of the Rs. 100 Canshare has topped Rs. 130. Thus Rs. 5 has been distributed as maiden income. This works out to an annualised yield of 17.14%.

NEW PROJECTS



A SUITE AT THE PRIVILEGE CLUB

■ **Leela Penta Hotel**, Bombay, has launched its Privilege Club to the rich and famous travelling elite. They can now avail of exclusive deluxe rooms and suites at the club by paying an extra price of only Rs. 150 more than the upper range of regular rooms. And the special privileges that come with the price tag include a complimentary breakfast with beverages to entertain guests in one's room, access to innumerable magazines and newspapers and a personal valet to pamper you.

■ With the commissioning of **Mazda Packaging Ltd.'s** plant at Uplat in Thane district, manufacturers have a new range of packaging materials to dress up their products. Mazda's ultra-sophisticated, computer controlled, co-extrusion 5-layer blown film equipment, designed by Reifenhauser, West Germany, is the first of its kind in the country. It has the capacity to manufacture 5-layer film from five extruders, and it can process a wide range of polymers such as LDPE, nylon, primacor, PP, HDPE, surlyn, etc. A range of five colours are also available at the printing stage.

■ **Ashok Leyland** recently signed an agreement with the Russians, under which the Indian company's engines will be fitted into Soviet-made vehicles. A prototype bus is being shipped by the Russians to Ashok Leyland's factory at Ennore for trial runs.

The possibility also exists that Ashok Leyland will receive the technical knowhow and licensing rights to use the diesel process which the Soviet automotive industry has developed. The transfer of technology related to the use of compressed natural gas as auto fuel is being considered as well.

■ A unique cooperative effort is going to brighten up the future of industry in Faridabad, Haryana. A large number of companies have clubbed together and promoted a new company — **Faridabad Captive Power Systems Ltd.** (FCPS) — to eliminate their power problems. A memorandum of understanding was signed between the Haryana State Electricity Board and FCPS, whereby the latter will set up a 100 mw captive power station which will generate 20 lakh units of electricity per day. It will be synchronised with HSEB's power grid. Construction is expected to be completed in two years.

Of the total project cost of Rs. 130 crores, Rs. 30 crores will be raised as equity capital with the IDBI and IFCI contributing the remainder.

■ So popular is the field of electronics, that even a fertiliser company is diversifying into it. The **Gujarat Narmada Valley Fertiliser Co. Ltd.** has received the green signal to collaborate with the US-based Owens Illinois Inc. to manufacture components for TV sets. The Rs. 200 crore project envisages the annual production of 17 lakh, 20-inch glass shells for colour TV sets and 5 lakh, 14-inch bulbs for black and white sets. The venue for the facility is Borkhadi in Surat district.

Apart from technical assistance, Owens Illinois will also contribute Rs. 70 crores as the foreign exchange component of the new company which is being promoted for the implementation of this project.

PUBLISHED

■ At long last, detailed, official information on stocks and bonds will be available from the **Bombay stock exchange** (BSE). As a part of its computerisation programme, the BSE Trade Information & Market Evaluation System (BSE Times) has been launched.

Every Saturday, the BSE will release data pertaining to the number of scrips traded in both the A and B groups. The gains and losses, highs and lows, advances and declines recorded by these scrips and other securities will be tabulated for each trading day of the week. They will be presented with comparative analyses and summaries. There will also be a BSE sensitive index which will trace share price movements during the week. Finally, additional charts and graphs will elaborate on long-term trends, for rolling periods of a month and a year.

NEW PRODUCTS

■ For the first time in India, a teething gel is being marketed for babies. Branded Teejel, it is claimed to have a soothing, pain-relieving effect. **Raptakos Brett**, the pharmaceutical company which also manufactures baby-care products, is credited with the launching of this new gel

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs.)	YEAR ENDED	SALES (Rs. crores)	EQUITY CAPITAL (Rs. crores)	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	IN DIVIDENDS	EPS (Rs.)	P/E 24 JUN	P/B.V 24 JUN	PAYOUT	SHARE PRICE 24 JUN (Rs.)	MK.CAP 24 JUN (Rs.) crores)	%CH.CAP Over 10 JUN
I.	**AUTO ANC & TYRES**													
1.	CEAT	10	30 06/87	316.07	9.32	36.21	17.93	13.20	4.55	1.88	0.19	**60.00**	55.92	0.00
2	CHLORIDE	10	31/08/87	107.50	20.66	13.29	22.23	4.46	14.80	4.27	0.70	**66.00**	136.36	0.77
3	MICO	100	31/12/87	183.73	38.05	18.24	10.22	33.88	16.82	2.62	0.35	**570.00**	216.89	–1.72
4.	MODI RUBBER	10	30/04/87	358.60	10.38	4 77	5 84	6 06	7.59	0.86	0.41	**46.00**	47.75	–2.13
II.	**BASIC CHEMICALS**													
5	NOCIL	100	31/12/87	288 10	36.00	49.84	16.14	48 22	9 59	1.82	0 41	**462.50**	166 50	–3 14
6	TATA CHEM	10	31/03/87	193.56	36.19	18.25	20 43	6 24	10.82	1.77	0.30	**67.50**	244 28	–6 25
III.	**BASIC METALS**													
7.	HINDALCO	10	31/12/87	372.05	17.81	39 94	9 89	11 48	7 36	1.97	0.15	**84.50**	150 48	–2 88
8.	INDIA FOILS	10	30/06/87	104.90	4.38	26 03	18.83	7 19	8 34	1 46	0 29	**60.00**	26 28	–11 13
9.	MUKUND IRON	10	30/06/87	266 30	9 82	13 80	7 04	8 14	10.50	5 56	0 22	**85.50**	83 96	–5.00
10.	TISCO	100	31/03/87	1416.39	115.30	9.34	7 59	75 91	11 00	1 99	0 24	**835.00**	962 76	–3 19
IV.	**CEMENT**													
11.	ANDHRA CEMENT	10	31 03/87	53.94	9.51	–13 80	38.04	0.73	14 38	0 47	1 38	**10.50**	9 99	–12 45
12.	ACC	100	31/07/87	760.92	39.88	–57 92	–6.50	0.85	272 94	0.63	11.74	**232.00**	92.52	4.27
V.	**CHEM.INTERMEDIATES**													
13.	BASF	10	31/12/87	59.30	2.84	10.15	15 88	7 25	14 90	2.19	0 28	**108.00**	30 67	–5 28
14.	COLOUR CHEM	100	31/03/87	66 95	7 94	17.24	3 08	42 44	9 90	1 78	0 42	**420.00**	33 35	16 69
15.	DEEPAK NITRITE	10	31/10/87	23.60	2 43	10.30	5.05	3.99	10.28	1 55	0.36	**41.00**	9 96	–2 45
VI.	**COMM VEHICLES**													
16.	BAJAJ TEMPO	10	31/09/87	152.91	6 58	–25.31	4 06	2 64	30 30	1 09	0 47	**80.00**	52 64	–3 04
17.	MAH & MAH	10	31/10/87	599 28	19.26	1 11	9 40	5 76	9.64	1 20	0 38	**55.50**	106 89	–5.93
18.	TELCO	100	31/03/87	1196 89	90.97	–38.98	–6 45	3.22	202 64	2.38	1 88	**652.50**	593 58	1 16
VII.	**CONS DURABLES**													
19.	ASIAN PAINTS	10	31/12/87	201 72	12.45	32.95	30.02	10 07	15 14	4 20	0 30	**152.50**	189 86	–4.69
20.	PEICO	10	31/12/87	385 93	33 32	54	–8 12	1 04	31 73	1 70	0 96	**33.00**	109 96	1 54
21.	VIP INDUSTRIES	10	31/07/87	68.40	5.99	–1.39	N.A	1 43	9 27	0 71	0 84	**13.25**	7.94	0 00
VIII.	**COTTON TEXT**													
22.	CENTURY SPG	100	31/12/87	390 80	26.62	4.55	12 57	56.50	14.34	1.41	0 42	**810.00**	215 62	–1 52
23.	MADURA COATS	10	30/06/87	200.36	21.81	7.88	14.48	5 14	13 04	2 63	0 49	**67.00**	146 13	–6 94
24.	RAYMONDS	10	31/03/87	225.19	22.48	37.75	22 02	5.89	8.32	1 69	0 21	**49.00**	110 15	–2 00
IX.	**DOMES.CONS.PROD**													
25.	COLGATE	10	31/12/86	163.52	15.72	23.25	11.34	6.49	32.74	11 15	0 40	**212.50**	334 05	1 79
26.	HINDUSTAN LEVER	10	31 12 87	933.68	93.32	13.34	22.33	4.98	13.25	3.27	0.50	**66.00**	615.91	–4.35
27.	ITC	10	30 06 87	1051.80	33.17	15.26	12.36	5.26	7.70	1.70	0.57	**40.50**	134.34	–5.81
28.	McDOWELL	10	30 06 87	145.20	6.40	–2.72	41.58	10.91	7.24	1.28	0.14	**79.00**	50.56	–1.25
29.	RECK & COLMAN	10	03 01 88	59 28	4 20	25 17	13 43	13 02	16 42	5 12	0 23	**213.75**	89 78	–1 72
X.	**ELEC.ENGG**													
30	BEST & CROMP	10	31 12 86	123.56	4.73	–22.28	2.38	1.92	19.01	0 74	0 79	**36.50**	17 26	0 00
31	FINOLEX CAB	10	30 11/87	60.58	1.80	50.69	32.42	45.39	8.59	4.21	0.09	**390.00**	70.20	–1.89
32.	GENELEC	10	30 06/87	74.19	2.16	16.60	12.41	6.76	7.95	1.63	0.37	**53.75**	11.61	2.38
33	OTIS	10	30 11 87	54.28	5.04	18.55	15.36	7.58	23.09	6.02	0.33	**175.00**	88.20	–5.41
34	SIEMENS	10	30.09 87	198 40	20 94	–1 55	2 63	2 48	25 60	1 58	0 42	**63.50**	132 97	–7 97
XI.	**EQUIP.MANUF**													
35	INGERSOLL	10	31 12 87	77 14	7 89	21 93	15 81	10 99	22 75	6 75	0.27	**250.00**	197 25	–9 09
36	KIRLOS CUMM	10	30 09 87	146 96	26 40	4 23	23 13	3 81	14 44	2 28	0 53	**55.00**	145 20	–1 79
37	MATHER & PLATT	10	30 06 87	42 04	6 40	21 14	14 23	6 13	9 58	2 57	0.33	**58.75**	37 60	–18 97
XII.	**FERTLISER**													
38	GSFC	10	31 12 87	357 40	26 94	23 47	15 88	13 07	9 18	1 64	0 23	**120.00**	323 23	–4 76
39	SPIC	10	31 12 87	391 00	34 42	–23 16	N A	1 47	31 97	1 59	1 01	**47.00**	161 77	–10 48
XIII.	**FOOD PROD**													
40	BRITANNIA	10	30 11 87	192.10	12.38	23.92	16.60	6.37	13.81	3.27	0.38	**88.00**	108.94	–5.38
41	BROOKE BOND	10	30 06 87	399.50	24.73	18.02	13.94	6 08	14.31	4.52	0.49	**87.00**	215.15	–3.33
42	HIND COCOA	10	30 06 87	73 42	8.40	26.56	18.22	5.31	15.63	4 48	0.28	**83.00**	69.72	–3.77

ADVERSE REACTIONS

Following the rout of the Congress (I) in the Allahabad byelection, equities tumbled during the fortnight ended 24 June. News that N.D. Tiwari, the Union finance minister, had been shifted to Uttar Pradesh as the chief minister sent a shiver through the stock exchanges. The reported opposition of the Central Board of Direct Taxes to abolishing the tax on dividends further lowered the morale of the market.

As a result, *The Economic Times* index of ordinary shares (1984-85=100) fell from 264.3 on 10 June to 257.2 on 24 June — a fall of 2.68%. Likewise, the *Financial Express* equity index (1979=100) plummeted from 351.21 to 345.07 during the same period. The *BW* index dropped to 140.42 on 24 June from 146.25 on 10 June.

The main feature of the fortnight was the sharp drop in the quotation of Reliance shares — from Rs.211 to Rs.196 — following reports of an impending cabinet reshuffle. Even at low levels, the scrip failed to find

STOCKMARKETS

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY COMPANY	FACE VALUE (Rs.)	YEAR ENDED	SALES	EQUITY CAPITAL	COMPOUND GROWTH OVER 5 YRS (%)		EPS (Rs.)	P/E 24 JUN	P/B/V 24 JUN	PAYOUT	SHARE PRICE 24 JUN (Rs.)	MK.CAP 24 JUN (Rs. crores)	%CH.CAP Over 10 JUN
				(Rs. crores)		IN EARNINGS	IN DIVIDENDS							
XIV	**HEAVY ENGG PROJ**													
43	ELECON ENGG	10	31 12 87	113.00	5.65	0.89	13.60	4.60	9.78	0.84	0.33	**45.00**	25.42	-19.63
44	GAMMON	10	30 07 87	112.00	2.16	52.05	5.35	19.53	3.48	0.98	0.13	**68.00**	14.69	2.30
45	HIND DORR	10	30/11 87	42.66	2.38	25.48	14.03	16.43	7.91	2.34	0.23	**130.00**	30.94	3.70
46	ALFA LAVAL	10	30/11/87	51.00	5.21	15.13	15.63	5.37	11.64	1.61	0.34	**62.50**	32.56	-3.87
XV	**LIGHT ENGG**													
47	SKF BEARING	100	31 12 87	83.86	12.35	15.64	7.60	87.77	14.41	3.65	0.25	**1265.00**	156.23	-1.17
48	BHARAT FORGE	10	30 09 87	120.10	5.71	33.86	6.63	11.51	11.03	2.24	0.22	**127.00**	72.52	-9.28
49	IND OXYGEN	10	30 09 87	131.00	14.60	-9.51	1.03	2.16	15.39	1.56	0.74	**33.25**	48.55	0.77
50	SANDVIK ASIA	100	31 12 87	38.93	5.78	-5.93	9.37	23.53	27.20	2.78	0.85	**640.00**	36.99	-2.30
XVI.	**MULTI PROD**													
51	IEL	10	30 09 87	478.41	40.87	-17.55	-3.37	1.24	29.84	1.31	1.06	**37.00**	151.22	-7.50
52	LARSEN & TOUBRO	10	30 09 87	573.10	56.37	7.47	15.43	4.90	18.57	2.34	0.41	**91.00**	512.97	-3.19
53	RALLIS	10	31 05 87	225.41	5.64	25.69	11.40	10.30	7.04	0.16	0.29	**72.50**	40.89	-3.33
54	VOLTAS	100	31 08 87	363.71	12.78	11.18	6.88	53.60	5.46	1.01	0.30	**292.50**	37.38	1.74
XVII	**PASS.VEHICLES**													
55	BAJAJ AUTO	10	30 06 87	607.74	18.82	70.08	37.08	34.30	7.14	2.27	0.12	**245.00**	461.09	12.64
56	KINETIC ENGG	10	30 06 87	91.25	1.20	15.57	19.22	20.25	11.85	1.79	0.15	**240.00**	28.80	-11.11
57	HIND MOTORS	10	31 03 87	373.01	26.41	-19.96	-2.22	1.17	20.94	0.81	0.85	**24.50**	64.70	4.25
XVIII	**PEST & AGROCHEM**													
58.	BAYER	100	31 12 87	111.70	16.22	9.38	12.80	27.19	12.87	2.07	0.59	**350.00**	56.77	-2.77
59.	SEARLE	10	31 12 87	35.00	3.48	35.23	20.34	8.02	15.59	2.34	0.25	**125.00**	43.50	-9.09
XIX.	**PHARMA**													
60	GLINDIA	10	30/06 87	200.97	20.00	9.38	7.36	3.70	16.49	2.56	0.49	**61.00**	122.00	-4.69
61	HIND CIBA	100	31 12 87	176.80	17.71	6.26	13.26	38.17	11.92	1.63	0.52	**455.00**	80.58	-6.18
62	HOECHST	100	31 12/87	158.81	9.58	-16.27	-6.52	13.67	38.77	1.43	0.73	**530.00**	50.77	-3.83
XX.	**PLANTATIONS**													
63	ASSAM CO	10	30 06 87	44.15	7.00	45.90	55.03	6.46	16.45	3.19	0.62	**106.25**	74.38	3.67
64	McLEOD RUSSEL	10	30 06 87	43.45	6.25	35.83	39.23	8.06	11.79	2.54	0.56	**95.00**	59.38	2.98
65	TATA TEA	10	31 12 87	151.10	12.20	24.81	N A	9.04	15.32	2.52	0.50	**138.50**	168.97	1.09
XXI	**PLASTICS & PAPER**													
66	BALLARPUR	10	30 06 87	362.66	13.98	-4.74	0.29	3.37	12.17	0.72	0.70	**41.00**	57.32	-6.81
67	BHADRACHALAM	10	30 09 87	48.85	10.57	-4.64	7.84	4.16	6.37	1.10	2.00	**26.50**	28.01	0.00
68	GARWARE POLY	10	30 06 87	76.78	5.81	16.35	21.89	7.57	10.04	2.13	0.29	**76.00**	44.16	-7.30
69	SUPREME IND	100	30 06 87	57.26	1.80	22.32	18.88	101.67	16.62	2.70	0.18	**1690.00**	30.42	-0.59
XXII.	**POWER GENERATION**													
70.	CAL ELEC SUPP	10	31 03/87	321.09	8.45	15.53	5.76	11.22	1.43	0.19	0.21	**16.00**	13.52	-4.18
71.	TATA POWER	100	31 03/87	330.90	20.00	35.06	11.11	148.20	1.55	0.49	0.11	**230.00**	46.00	-3.16
XXIII.	**SERVICE IND**													
72	EAST IND HOTELS	10	31 03/87	65.93	17.34	11.41	3.52	5.64	8.87	2.16	0.35	**50.00**	86.70	-1.96
73	HDFC	100	31 06/87	76.86	19.79	31.44	16.51	46.74	3.27	0.70	0.20	**153.00**	30.28	0.66
74	20TH CENT FIN	10	30 10 86	17.70	6.34	53.14	54.38	5.98	4.43	0.98	0.30	**26.50**	16.80	26.22
75	TATA UNISYS	10	31/12/87	27.12	4.38	-1.18	12.19	3.54	24.72	4.79	0.62	**87.50**	38.33	0.00
XXIV.	**SHIPPING**													
76	ESSAR SHIP	10	31 12/87	60.50	33.42	8.46	25.04	2.33	8.69	0.95	0.86	**20.25**	67.68	-10.00
77	GR EASTERN	10	30 06 87	102.50	31.94	6.72	19.13	2.12	13.56	1.49	0.98	**28.75**	91.83	-2.54
XXV.	**SYNTHETIC TEXTILE**													
78	CENTURY ENKA	100	31 12/87	280.20	11.87	16.76	13.59	118.03	11.65	2.00	0.32	**1375.00**	163.21	-20.06
79	GRASIM	10	31/03/87	531.00	21.59	2.68	4.51	4.00	23.50	1.65	0.60	**94.00**	202.95	-4.57
80	RELIANCE	10	31/12/86	989.90	158.26	-13.44	21.35	0.90	217.78	7.52	0.97	**196.00**	3101.90	-7.11
	TOTAL			20213.85	1608.93								12994.59	

BUSINESSWORLD INDEX (24 JUNE) = 140.42 **10 JUN = 146.25 (BASE 29 JUNE 1987 = 100)**

EPS EARNINGS PER SHARE P E PRICE EARNINGS RATIO P/B V MARKET PRICE TO BOOK VALUE %CH CAP PERCENTAGE CHANGE IN MARKET CAPITALISATION

fresh support, and there was brisk nervous bull liquidation. Marketmen felt that the change in the finance portfolio could mar the company's fortunes. Thus, the *ET* index for man-made fibres shares tumbled by 3.51% to 159.1.

Cement shares were steady. ACC, the trend-setter, rose by Rs.9.50 to Rs.232.

"There was a sudden spurt in the prices of equities during the past two months. However, recently, market sentiment was adversely affected because of V.P. Singh's victory in the Allahabad byelection and the reported cabinet reshuffle. This seems to be a temporary phase, and is nothing but an overdue reaction. Considering the excellent results declared by leading companies like Tisco and Telco, and the fact that a good monsoon is expected, the investment climate will change for the better," observes Bharat J.Shah, a financial analyst at the Bombay-based stock-broking firm of Jayantilal Khandwala & Sons.

■ *S. Dhruv*

GOOD OPPORTUNITY

Thane is investment grade material. This is more so because it is close to New Bombay. The proximity to this new township is also helping in boosting prices

Today, the real estate market is in a depressed state. Values are not rising the way they were in the 1982-84 period. The fear of acquisition by the income tax authorities of properties valued over Rs. 10 lakhs and the draconian rate of stamp duty have acted as deterrents for speculators. However, this does not mean that the prices are likely to seek lower levels. Such a development is well nigh close to impossible. Given the present market scenario, it is an opportune time to invest in real estate. In the long run prices will surely spiral up. The cost of inputs is going up and it will not be long before flat prices also move up. With double digit inflation, investment in real estate is likely to provide a useful hedge against the fast-eroding value of the rupee in real terms.

Continuing our series on investment opportunities in real estate, in this issue we shall consider Thane, a distant suburb of Bombay.

Thane today is a good investment opportunity. It is one of the 26 districts of Maharashtra. The main reason for its development is its proximity to Bombay. When one speaks of Thane, however, it is generally taken for granted that one is talking about the areas abutting the Central Railway suburban line. It is about 34 rail km from Bombay's Victoria Terminus and about 40 km by road. The salaried class has been moving to this area because the prices are still affordable and the transport system works reasonably well. Thane railway station is the terminus for suburban locals on that route. This has been an added inducement for residents as commuting is easier. Anyone who has tried to board a train at a midway station could attest to that.

Another factor which has speeded up construction activity in Thane is that, by virtue of it being a separate district, the powers of the income tax authorities to acquire any property which is bought or sold above a price of Rs. 10 lakhs, do not apply there. This has prompted speculators to shift their attention to Thane. The rate of stamp duty leviable at Thane is also lower than in Greater Bombay.

BIG BUILDERS ATTRACTED

Until very recently Thane had a gram panchayat. This resulted in big builders acquiring large chunks of land there as the paperwork and permissions required were comparatively less than for areas with municipal corporations. Moreover, it was also a lot easier to deal with gram panchayats, who could be easily persuaded to follow builders' line of thought. That the land was also much cheaper was an asset which attracted the big guns in the building industry, who saw the potential much earlier.

Thane has been growing at a rapid pace. But it needs to be mentioned here that Thane east has already been developed and Thane west is now the scene of action. Construction activity is going on at a hectic pace and projects are springing up daily. The price appreciation has been close to 85% in one year in Thane. Flat prices were ranging from Rs. 275 to Rs. 350 per sq ft in Thane in the beginning of 1987. Now, they oscillate between Rs. 400 and Rs. 650 per sq ft. Builders like the Mittals, Rahejas, Gwalani and Unitech are constructing good apartment blocks in Thane.

Thane, as mentioned earlier, is investment grade material. This is more so because it is close to New Bombay. The proximity to this new township is also helping in boosting prices. The Thane-Belapur industrial belt is also close by, with the result that there are more job opportunities here.

AFFORDABLE PRICES

The builders are currently accepting about 90% of the value by way of cheque, adding only 10% to their unaccounted kitty. The area is fast developing as a residential locality for the middle income Bombayite who has been unable to buy a place for himself in the city. The prices are still affordable and a considerable portion of the payment can be raised through loans.

Hence, keeping in mind that it is primarily a middle-class locality, it would be ideal to invest in small apartment blocks of one or two bedrooms. It would be easy to sell them to actual buyers at the opportune time.

Thane is likely to show a hefty capital appreciation rate of over 30% per annum even at the present level of prices. Moreover, the real estate market has been relatively quiet over the past 18 months. Should the stamp-duty act be modified, prices will get the requisite momentum and move up.

■ *Gul Teckchandani*

The author is a Bombay-based investment consultant.

ENTERTAINMENT EXPENSES

The deductibility of entertainment and guest house expenses has always been the subject matter of dispute with the income tax department. In spite of several judgments on this point, the matter remains unresolved. However, the consensus of judicial opinion is that unless the expenditure is of an extravagant nature, the amount spent in providing food and drinks to business associates should not be treated as being in the nature of entertainment. Likewise, if a guest house is used for the purpose of the business of the assessee by the employees who are on duty, it cannot be deemed to be a place for entertaining guests and, hence, the expenditure would be fully deductible.

> *Unless the expenditure is of an extravagant nature, the amount spent in providing food and drinks to business associates should not be treated as being in the nature of entertainment*

A recent decision on this point is in the case of C.I.T. v. *Orient Paper Mills Ltd. (171 I.T.R. 181)*. In this case, in its return for the assessment year 1971-72, the assessee claimed a deduction of Rs. 46,798 incurred on tea, tiffin and refreshments at a conference of salesmen and distributing agents of the assessee at its mill.

The income tax officer held that 75% of the said expenditure was in the nature of entertainment and disallowed an amount of Rs. 34,100 out of the said Rs. 46,798 under s.37(2) of the Income Tax Act. In the said assessment year, the assessee, at its mill premises, provided boarding and lodging facilities to its employees and visitors who were charged for such facilities.

The assessee incurred an expenditure of Rs. 1,59,407 on this head in the said assessment year and also recovered Rs. 1,31,162. The difference of Rs. 28,245 was claimed by the assessee as a deductible expenditure. The income tax officer disallowed the claim on the ground that the assessee maintained a guest house and was not entitled to claim deduction in respect of the expenditure incurred for the same under s.37(4). The tribunal, however, directed the deletion of Rs. 34,100 from the total income of the assessee and allowed the claim of the assessee for deduction of Rs. 28,245.

On a reference to the Calcutta high court, the advocate for the assessee drew attention to a decision of the Calcutta high court itself in *C.I.T. v. Agarpara Co. Ltd. (167 I.T.R. 866)*. In that case, it was held by the division bench that explanation (2) introduced in s.37(2-A) was made effective retrospectively on and from 1st April 1976. It was held that the law as it stood before the said date was required to be considered to determine such controversy where it arose prior to 1st April 1976.

Different views have been taken by various high courts. The Calcutta high court followed and applied the decision of the Gujarat high court in *C.I.T. v. Patel Bros. & Co. Ltd. (106 I.T.R. 424)*and held that there was a difference between the expenditure in the nature of hospitality and expenditure in the nature of entertainment. It was held that the expenditure incurred by the assessee for providing tea, cold drinks and other refreshments to its customers was an expenditure incurred for the purpose of hospitality and not incurred for the purpose of entertainment.

Following the said decision in the case of *Agarpara Co. Ltd.*, the Calcutta high court held that the expenditure incurred in the *Orient Paper* case for supply of tea and refreshments at the conference of its salesmen and distributing agents was an expenditure in the nature of hospitality and not entertainment and, therefore, it was a deductible expenditure.

The advocate for the revenue did not make any submissions except that he relied on a decision of the Karnataka high court in *NGEF Ltd. v. C.I.T. (153 I.T.R. 197)*. There, the assessee concerned incurred an expenditure in maintaining two flats in Bombay and Delhi as guest houses. Under s.37(4) which was introduced with effect from 1st April 1970, allowances in respect of the expenses on the maintenance of guest houses were totally prohibited.

The advocate for the assessee contended, on the other hand, that the accommodation provided in the instant case in the mills of the assessee was not a guest house. In the area where the mills were situated, no accommodation of any kind was available and, therefore, the assessee had provided for boarding and lodging facilities at its mills against payment of charges.

In support of his contention, the advocate for the assessee cited a decision of the Calcutta high court in *C.I.T. v. Parshva Properties Ltd. (164 I.T.R. 673)*. In that case, it was found that the assessee maintained a bungalow at a remote place in Bihar where the employees of the assessee, auditors, engineers and the government officials who visited the place on duty stayed temporarily. No one utilised the bungalow for entertainment or relaxation. On these facts, it was held that the bungalow was not a guest house within the meaning of s.37(4) of the Act.

The decision of the Calcutta high court in the above case was binding in the case of Orient Paper. It had been found as a fact in this case that the assessee was providing accommodation at places where no accommodation of any kind was available. The same was obviously not meant for entertainment or relaxation. The court therefore observed that the assessee's claim for deduction of Rs. 28,245 was rightly accepted by the tribunal.

There is no doubt that this decision lays down the correct principle of law and the income tax department should accept the judgment and bring the litigation on this point to an end.

■ *H.P. Ranina*

The author is a Bombay-based advocate

Sustained growth - the sure sign of success!

STATEMENT OF SHRI S.N. PAI,
EXECUTIVE CHAIRMAN AT THE 32ND
ANNUAL GENERAL MEETING HELD ON
3RD JUNE 1988

Ladies and Gentlemen,

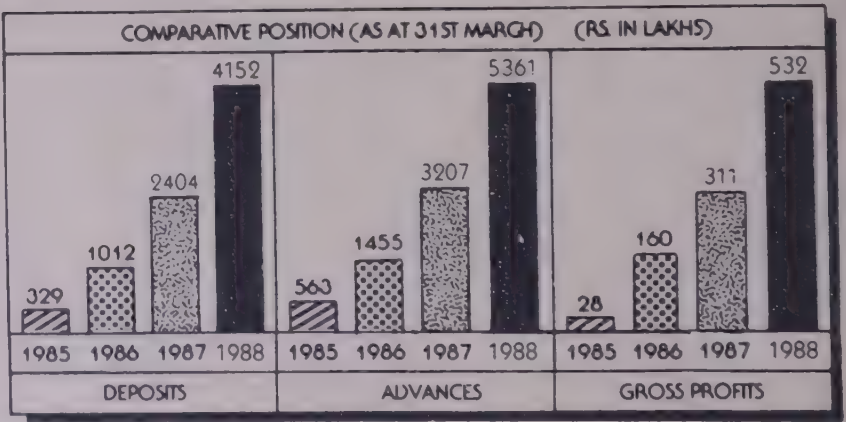
It gives me great pleasure to welcome you all to this the 32nd Annual General Meeting of your Company. I extend a special warm welcome to revered Dr.N. Mahalingam, the Chairman of our Group, for making it convenient to be present here on this occasion, inspite of his busy schedule. As you are all aware, in recognition of the yeoman services he is rendering for the welfare of our countrymen in a multitude of ways, he was recently conferred a Doctorate in Science by the Anna University, Madras. I am sure you would all like to join me in congratulating him and wishing him a very long and healthy life to continue his services.

I am sure that you have all received in time the Company's Annual Report 1988, containing the Audited Accounts for the year ended 31st March '88 and, with your permission, I shall take it as read. You would have, perhaps, noticed with delight that there continued to be a tremendous all-round growth in the operations of your Company during the period. Inspite of the same, that your Company continued to improve upon its own record of finalising the accounts and holding the General Body Meeting in this short period, after the closure of the financial year, speaks volumes of the high efficiency with which it is working

MOMENTOUS YEAR

Deposits:
The year that has passed has indeed turned out to be yet another momentous one for your Company. The public deposits, which stood at Rs. 2404 lacs at the beginning of the year, rose to Rs.4152 lacs, showing an increase of 73%, the number of depositors having stood at about 75000. During the year, fresh deposits of Rs.2533 lacs were received, in addition to renewals of Rs.1120 lacs. However, refunds were to the extent of Rs.784 lacs, as against only Rs.300 lacs in the previous year, reflecting the impact of the severe drought conditions that prevailed in the main area of our operations. Now that there have been fairly wide-spread rains, it is hoped that there would be a reversal of this trend and the flow of deposits will improve.

Deposit mobilisation-up



Advances:
During the year, the advances made by your Company showed an improvement of 67%, from Rs.3207 lacs to Rs.5361 lacs, comprising stock-on-hire of Rs.3107 lacs, leased assets of Rs.2029 lacs and other loans of Rs.224 lacs. Inspite of the depressed conditions prevailing in the road transport industry, your Company could secure a fair share of hire purchase business against vehicles. In the matter of the pioneering venture of lease financing of consumer durables, your Company could make further headway, the assets value having gone up by 84% from that at the beginning of the year, viz., Rs.1104 lacs.

Growing advances -optimum recoveries

In this connection, you would be pleased to know that the recovery position of advances continued to be very good. Arrears at the end of the year, of 3 instalments and above, worked out to only 4% in the case of hire purchase advances, whereas they were as low as 2% in the case of consumer durable lease advances. This again speaks volumes about the excellent monitoring of the outstanding dues by your Company as far as its advances are concerned.

Profitability:
In the matter of profitability too, your Company has done exceedingly well during the period. A 70% increase in gross earnings (from Rs.749 lacs to Rs.1271 lacs) and 79% increase in profits (after depreciation) for the year (from Rs.182 lacs to Rs.326 lacs) are well worth speaking about, taking into consideration the general plight of the vast majority of the 400 odd units in the industry. In the matter of earning per share too, your Company is in a commanding position, the figure of Rs.10.53 being the highest in the industry. This shows that your company is run economically.

Dividends:
Commensurate with the decent profits

earned, your Directors have recommended payment of a final dividend of 12%, making a total of 24% for the year as against 22% paid during the previous year. I hope you will all welcome it.

The year's working results have enabled the Company to transfer as much as Rs 250 lacs, to the Reserves, which is exactly double of what was done last year and must be considered highly gratifying The Reserves and Surplus now amount to Rs.478 lacs, as against the capital of Rs.309 lacs, reflecting a highly satisfactory position.

RIGHTS ISSUE

The recent Rights Issue of Rs.102.5 lacs was fully subscribed. The relative share certificates have already been sent to you all.

BRANCH OFFICES/SAKTHI SAFE VAULTS

During the year, eight Branch Offices and four Sakthi Safe Vaults were added, taking the total number to 32 and 12 respectively. More Branch Offices and Safe Vaults have been planned for the current year

EXPEDITIOUS LOAN FROM IDBI

A significant development in the recent past is the approval of the term loan of Rs. 5 crores by IDBI to your company. The approval was accorded expeditiously and thanks to the implified procedural formality we were ble to draw bulk of the amount. This elective sanction by IDBI should be a urther fillip to the Company's perations. I am thankful to the IDBI for roviding this credit facility to the ompany

UTURE OUTLOOK

n tune with my stand all along, inspite f the grim prospects the majority of ur brethren in the industry are facing, I ontinue to see the future of your ompany with robust optimism. An mbitious net accretion of Rs.30 crores o deposits is targeted to enable us each the figure of Rs.70 crores of total eposits by the year-end. Similarly, lans are being chalked out for crossing e figure of Rs.100 crores in advances.

hus, substantial increases in the rnings, reserves, etc. can be asonably anticipated by the year-end. This trend is expected to be maintained in the future years too.

CONCURRENT AUDIT

In view of these anticipated sharp increases in our activities, your Board has decided to strengthen substantially the checks and controls on the operations of the Company. Apart from Internal Audit, an Inspection Department had started functioning during the last year. Now additionally an elaborate system of concurrent audit of all our offices by several firms of external auditors, regionwise, has been planned This is bound to safeguard very much the interests of every one concerned with the Company and be appreciated by our ever-increasing depositing public. I appeal to you to approve the relative proposal, which is coming up for consideration.

STAFF

Continuous efforts are being made to strengthen the staff at various levels, which now number nearly 500. Specific steps have been taken to expand computerisation, rationalise and streamline operations and adopt modern methods of management.

ASSISTANCE TO MEDICAL PROFESSION

The Company has now decided to extend financial assistance to the Medical fraternity also on a liberal scale, as a measure of diversification. It proposes to assist practising Doctors, Clinics, Nursing Homes, Private Hospitals, etc., in modernising, upgrading and expanding the facilities available with them to provide better quality of service to the people. The assistance will be available for the entire range of services rendered, such as from establishing laboratories for various investigations to installation of costly scanning machines, etc., both indigenous and imported. Assistance for purchase of vehicles will also be extended. This assistance is expected to meet the long felt need of the Medical Profession, which is aiming to achieve the goal of the United Nations in the matter of "Health for all" by 2000 A.D.

SOCIO-ECONOMIC BENEFITS

It pleases me to inform you that the operations of your Company during the last three years have resulted in much socio-economic benefits. The 3,000 vehicle advances given so far should be deemed as having created employment to about 50,000 people. The 30,000 consumer durable loans granted should be deemed as having improved the standard of living of 30,000 families or about 1,50,000 of their members, apart from helping raise the production in the respective factories, benefitting a large number of labour, dealers, etc. The steadily growing number of our depositors are the beneficiaries of our excellent service. Our 12 Sakthi Safe Vaults with a capacity of about 30,000 lockers are being increasingly made use of by our depositors. And last, but not the least, you, dear shareholders, have been looked after exceedingly well, what with having got back 86% of your investment by way of dividends since the Public Issue in late 1984, a share with a book value of about Rs.28 at present and an earning rate per share of Rs.10.53 with every chance of further capital appreciation in the near future.

Growing on the springboard of success

ACKNOWLEDGEMENT

Well, Ladies and Gentlemen, I would now like to conclude by placing on record, my very deep appreciation for the excellent services rendered and the co-operation extended by the officials of your Company. I also thank my colleagues on the Board for their wise counsel and guidance throughout the year. And last but not the least, I thank you all, shareholders, and the depositors and the borrowers for the immense confidence continued to be reposed in the Company

Let God bless us all!

This does not purport to be a report of the proceedings of the Annual General Meeting

SAKTHI FINANCE LTD

Regd Office : 475, Dr. Nanjappa Road Coimbatore – 641 018

UIPC SF

ALYQUE PADAMSEE, chief executive of Lintas: India, has been nominated associate director of Lintas: Worldwide.

R.C. SUNEJA has been reappointed chairman and managing director of New Bank of India, New Delhi.

SUSHIL KUMAR SETH has taken over as chairman-cum-managing director of The New India Assurance Co. Ltd. Earlier he was chairman-cum-managing director of National Insurance Co. Ltd.; Bombay.

DR. D.V. KAPUR has been appointed chairman of Humphreys & Glasgow Consultants Pvt. Ltd.

NAAZ ROVSHEN has been promoted president (electronics & telecommunications division) of the United Breweries group. He is in charge of Unitel Communications, United Telecoms, UB Picker, UB Electronic Instruments and UB Genicom. He is also the chief executive of Herbertsons Ltd.

HEMANT S. SONAWALA has taken over as the president of Computer Society of India.

KETAN M. BHATT has been elected honorary secretary of the Income Tax Bar Association, Gujarat.

GURNAM SARAN has been appointed director (industrial systems and products) of Bhel.

JAYANT B. DIWALE has joined Mishra Dhatu Nigam Ltd. (Midhani) as finance director. Prior to this he was the chief financial advisor and chief accounts officer of National Textile Corporation, New Delhi.

PRADEEP MALLICK has been appointed chief executive of Wartsila Diesel India Ltd

M.L. SHISHOO has taken over as chairman and managing director of Bombay Suburban Electric Supply Ltd.

DEEPAK SARIN has been appointed general manager (development), Indian Hotels Co. Ltd.

MMTC'S QUEER RICE DEAL

VARMA: FISHY DEAL

What is S.K. Agarwal, chairman of the Minerals & Metals Trading Corporation MMTC), up to? He has bulldozed hrough a deal, described as "queer" y *Business Standard* (which did the xpose) by which India is importing 2 akh tonnes of rice from North Korea. here are a number of points which re queer (this adjective is mild, to ay the least) about this deal. One of he main ones is that the purchase has one through despite stiff opposition om high officials of the corporation, ho have put it on record that it ould result in "heavy losses to MTC."

The deal as originally proposed by MTC was for countertrade volving import of 3 lakh tonnes of orth Korean rice and export of 10 kh tonnes of iron ore. A letter ritten by Agarwal to A.N. Varma, ommerce secretary (commerce is the dministrative ministry for MMTC) ys 3 lakh tonnes of rice would cost 0 million while 10 lakh tonnes of on ore would be worth about $15 illion. Agarwal said in the letter at "MMTC's primary interest is in port of 10 lakh tonnes of iron ore." also described it as being of remendous interest to MMTC."

On the other hand, a note by a top ficial of MMTC, which he insisted ould be taken on record, says: upplies would have to be from the radip sector, in which case MMTC uld suffer loss in crores of rupees, ssibly wiping out the marginal ofit targetted for 1988-89."

The whole thing became queerer at time of signing the contract ween MMTC and the North reans as there was no mention of n ore export in it. The deal imately is only for rice import and MMTC has never handled rice before.

Rice has always been imported by the Food Corporation of India (FCI). The fishy smell about the deal became stronger when it was noted that the FCI refused to be part of the deal unless it was given written instructions from the ministry of food and civil supplies.

The contract has also been signed without the commerce ministry appearing anywhere in the picture in the vital, concluding stages.

But the biggest question mark is about the price. The North Koreans had offered long grain white rice at $270 per tonne C and F and lower quality round grain white rice at $235 per tonne C and F. The contract is for 2 lakh tonnes of rice at $269 per tonne C and F.

It is learnt from sources in the food ministry that North Korea will be supplying 1.5 lakh tonnes of superior rice and 0.5 lakh tonnes of inferior quality round grain rice. The price should, logically, be the weighted average of the two original quotations which works out to $261.25 per tonne. How is it that MMTC is paying $269?

RAJIV THE APOLITICAL

Prime minister Rajiv Gandhi has often been described as an apolitical politician. This is taken to mean that Gandhi does not have the ability to read the political pulse which characterised his mother and his grandfather and made them great prime ministers. More importantly, Gandhi does not adopt a political approach to economic problem solving and goes rather for the managerial or the bureaucratic approach. This inability is often trotted out as one of the main reasons for his having squandered away the immense goodwill presented to him on a platter after the assassination of his mother.

Now, with the next general elections barely a year and a half away, Gandhi seems to be realising his mistake. At least, he seems to be trying to adopt a political approach while formulating the eighth five year plan. Gandhi has appointed a Congress(I) party committee headed by Madhavsinh Solanki to study the economic situation in the country and come up with suggestions to give a 'political thrust' to the eighth plan. The committee has already had two meetings in Delhi and will be presenting its report in a month or two to party president Rajiv Gandhi who will then use it to give a direction to the planners in Yojana Bhavan before the draft eighth plan is finalised.

The party president's mandate to the committee is to mainly look at ways in which the eighth plan can be used to 'improve the lot of the poorest of the poor' according to a member of the committee. Gandhi has asked his partymen to concentrate on areas like unemployment (to give political and economic flesh and blood to the airy *bekari hatao* slogan), rural industries, greater use of existing and new irrigation facilities, etc.

GANDHI: MANAGERIAL APPROACH

One important direction given by Gandhi to the committee is how to make sure that the grand programmes enunciated in the plan are properly implemented. The administration, particularly in the districts, will be given a close look by the committee and steps suggested to make it 'responsive.'

The committee members are confident that most of the report — if not all of it — will be accepted by the Congress president. But their optimism cannot be shared by all Observers point out that if he were really serious about this committee he would have included some of the bigwigs of the party like N.D. Tiwari or P.V. Narasimha Rao

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GOLD OUTPUT UP

Gold production seems to be on the rise. The output of Bharat Gold Mines Ltd. was 72.782 kg in May this year against the substantially lower 53.998 kg in April. For the two months, production was 126.780 kg against 102.695 kg in the corresponding months in 1987. Meanwhile, the Minerals & Metals Trading Corporation (MMTC) has been allowed to import gold for supply to 100% export-oriented manufacturers of gold jewellery. MMTC will be obtaining the gold from the Union Bank of Switzerland.

BANK DEPOSITS GROW

There has been a jump in the growth of bank deposits and liquidity in the economy in the first two months of 1988-89. Between the last Friday of March 1988 and 20 May 1988, the aggregate deposits of commercial banks swelled by Rs. 2,238 crores, which works out to 1.9%. In the corresponding period last year the growth was only Rs. 2 crores. A feature this year has been the surge in bank credit. Against a contraction of Rs. 161 crores in 1987-88, the growth this year has been a whopping Rs. 1,564 crores. This is mainly because of higher non-food advances.

MOLASSES EXPORT LIKELY

With sugar production expected to touch 92 lakh tonnes in the current season, there is likely to be a glut of molasses. Output is expected at 42 lakh tonnes,some 6 akh tonnes more than the previous year. The government is thinking in terms of allowing 5 lakh tonnes export but industry sources feel that the ceiling should be et at twice that amount. With the price in the international markets some seven times the government rdained Rs. 120 a tonne, exports for a change should resent no problems.

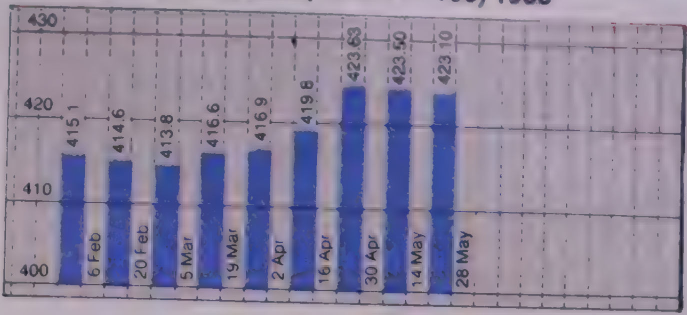
RESERVES SLUMP

ndia's foreign exchange reserves have continued their dramatic spiral downwards. From Rs. 7,287 crores at the beginning of fiscal 1988-89, reserves were down to Rs. .406 crores on 3 June. The decline since 6 May, a four-eek period, was as much as Rs. 489 crores. The drop is ore than two-and-a-half times the fall in the corres-onding period of 1987-88. This apart, the rupee has been onstantly depreciating against major foreign currencies, hich means that in terms of equivalents of these curren-es the fall has been much more drastic

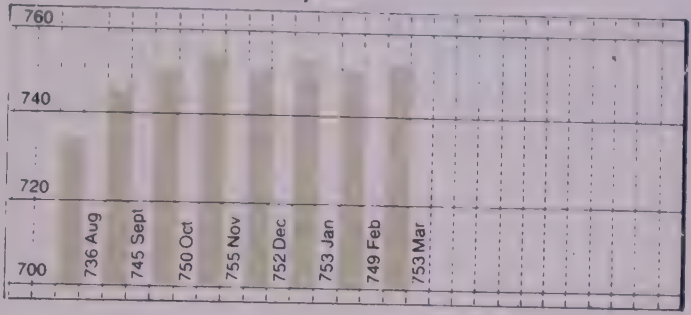
Foreign Exchange Rates (Spot) 1988

	16th June (Rs.)
One P. Sterling	24.65
One US Dollar	13.80
One D.Mark	7.87
One hundred J Yen	10.93
One Saudi Ryal	3.61
One Kuwaiti Dinar	49.05

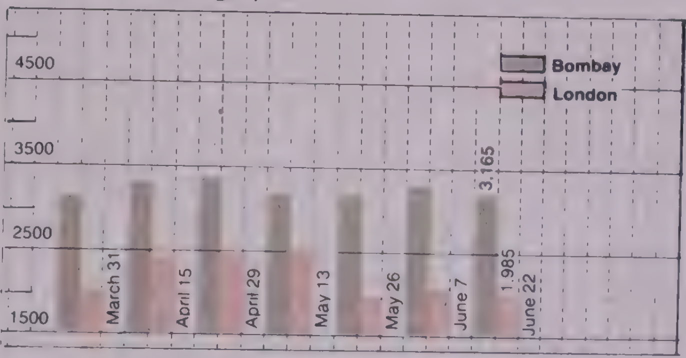
Wholesale Price Index (1970-71 = 100) 1988



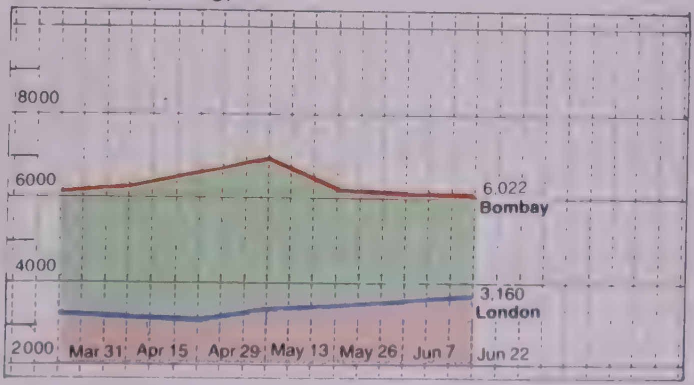
Consumer Price Index for Industrial Workers (1960-61 = 100)



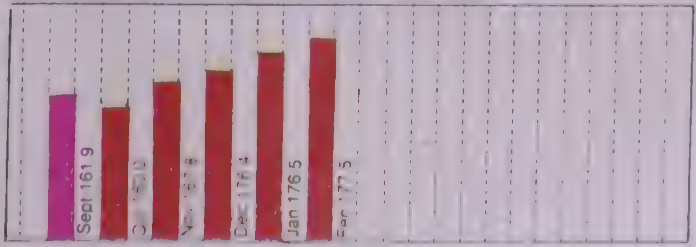
Gold (Rs.per 10 gm)



Silver (Rs.per kg)



CSO Index of Industrial Production (1980-81)



OBEROI: BANGALORE INNINGS

INN OF CONTENTION

Is the 135-room Holiday Inn of Bangalore up for grabs? Rumours to that effect have been doing the rounds ever since the Pardhanani brothers — who together controlled the holding company Mac Charles India Ltd. — fell out with one another.

As things stand, Mukund ('Mac') Pardhanani has been chucked out of Mac Charles by his brother Chatrubhuj ('Charles') Pardhanani. The latter is a non-resident Indian with interests in construction in the US, import-export in Dubai and investment in Hong Kong.

It is believed that Chatrubhuj did have ideas of selling Holiday Inn (the hotel is wholly owned by Mac Charles in which Chatrubhuj has a 58% stake). But thanks to the rumpus the Mac half is currently creating, these plans have been postponed. However, contenders like 'Biki' Oberoi are not giving up. Oberoi, who is also eyeing Calcutta's Ritz Hotel which is just across the road from the Oberoi Grand, is yet to get a 5-star toehold in Bangalore. So Holiday might just be his in.

MORARKA'S VOLTE FACE

When the government announced its foreign exchange amnesty scheme on 6th November 1986, the idea was that lots of people with money stashed away abroad would take the bait and reveal all. Some did. Others, even after initially taking the bait, have swum away from it.

The case of Kamal Morarka, managing director of the construction firm Gannon Dunkerley, is one such. In February 1987, the enforcement directorate pounced on Morarka. After a search threw up what the directorate boys call "incriminating documents," Morarka reportedly signed a statement agreeing to plead guilty and apologised for any violations of Fera which he "might have inadvertantly committed." The admitted misdemeanour reportedly referred to $100,000 received outside India by Morarka with compensatory payments being made in rupees.

But barely a month after that, Morarka withdrew all the *mea culpas*, claiming that all the confessions were made under duress.

AFTER WAHI, WHO?

Who will succeed the redoubtable Colonel S.P. Wahi as chairman of the Oil & Natural Gas Commission (ONGC) when his twice-extended seven-year term ends this November?

The Public Enterprises Selection Board (PESB) has set afoot a headhunting exercise — and gone about it in a curious way. The PESB has shot off letters to numerous central public sector undertakings in the country requesting the respective chairmen to "suggest" the names of possible candidates from within their companies. (It is not clear, though, whether a chairman can recommend his own name.)

Further, it is learnt that the PESB has written to defence headquarters with a request that the names of officers of the rank of major general or above (no colonels, please!) considered fit for the post might be forwarded for further processing.

But all this paperwork by PESB might well end up as a lot of sound and fury signifying nothing. Latest reports emanating from the corridors of power indicate that the Union government has already made up its mind to grant Wahi yet another extension.

KRISHNA: SWEATING IT OUT

KRISHNA CALLS THE TUNE

Even as the financial institutions work out the Rs. 48 crore revival package for Metal Box India Ltd. in accordance with the directives of the Board for Industrial and Financial Reconstruction (BIFR), the company's new managing director Vinod Krishna has been busy blunderbussing ruthless cost-cutting measures. One of his first acts after taking charge was to switch off the airconditioning plant at Barlow House, Metal Box's head office.

And officers are not only sweating it out in the new regime. Luncheon facilities — a relic of the company's *raj* legacy — have been terminated and a 20% wage cut for all managers has been ordained (refundable after the company has turned around). Travel costs have been pared, outstation halting allowances have been halved and executive class air travel stands banned.

TAXING TIMES AHEAD

Taxing times lie ahead for the tax evader. The Central government has issued a confidential directive to all income tax commissioners, the contents of which are scary: they are to raid, and keep raiding, till Rs. 1,000 crores is collected in a year's time.

Why the sudden wrath? First, the powers that be in New Delhi are keeping an eye on the general elections in 1989. A flurry of tax raids and seizures always helps buttress the populist pro-poor image of the government. Besides, the Rs. 1,000 crores will come in handy, what with the severe resource crunch.

There is a difference though. The big guys will be spared this time. Get ready for a raid *raj* of the Maruti (or people's) type.

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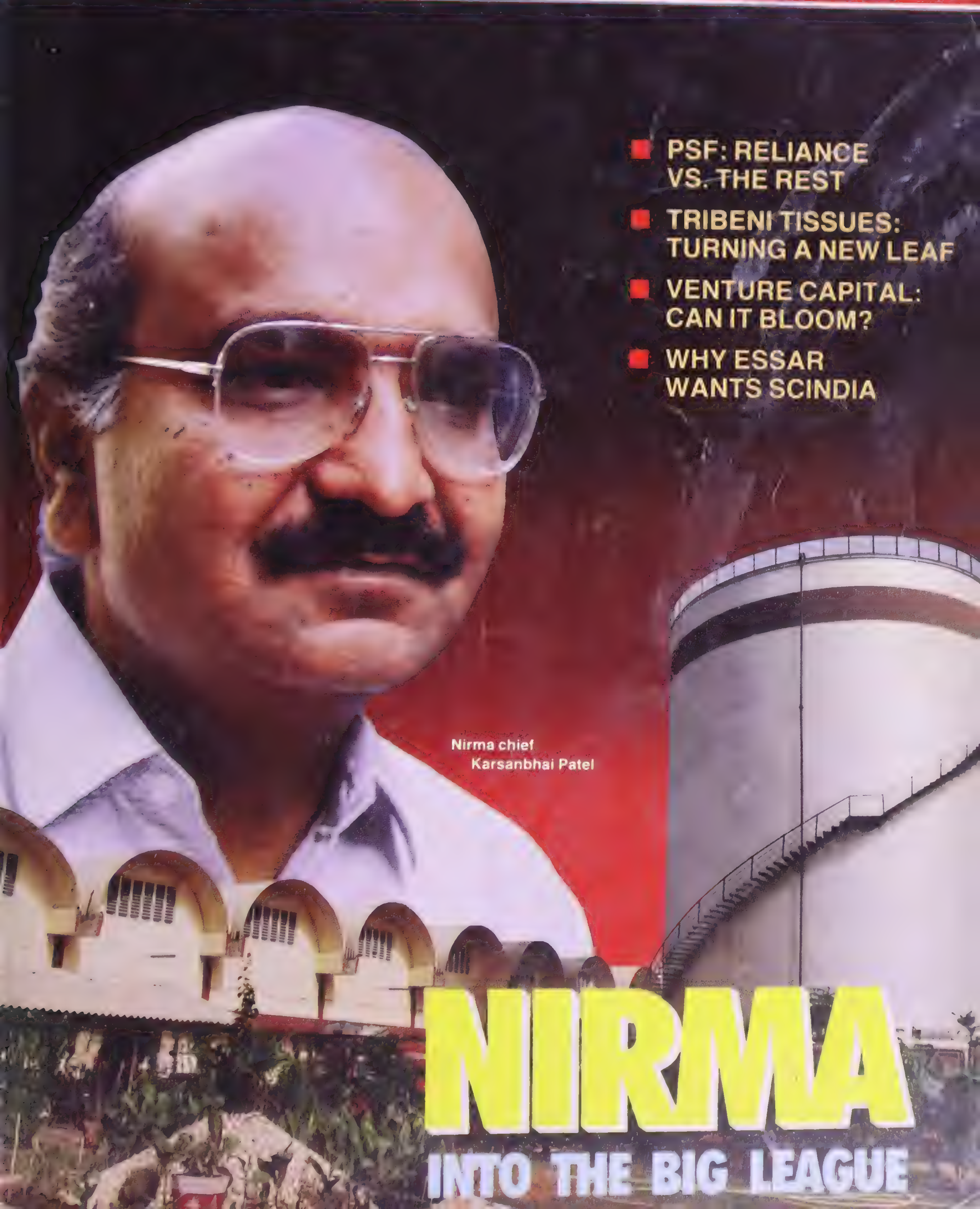
- WHY ESSAR WANTS SCINDIA

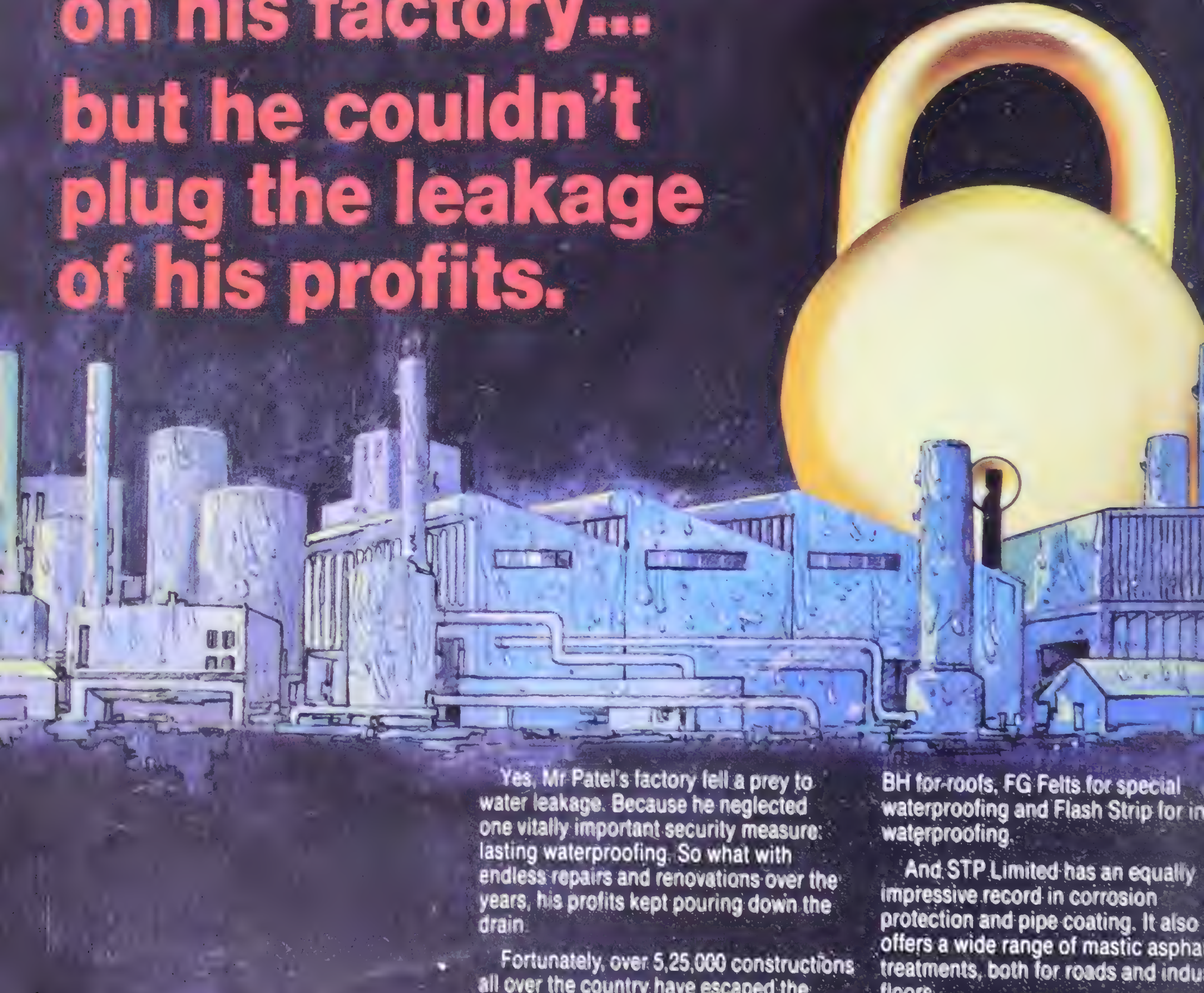


Nirma chief Karsanbhai Patel

NIRMA

INTO THE BIG LEAGUE

Mr Patel blocked 5 burglaries, 3 takeover bids and 4 sabotage attempts on his factory... but he couldn't plug the leakage of his profits.



Yes, Mr Patel's factory fell a prey to water leakage. Because he neglected one vitally important security measure: lasting waterproofing. So what with endless repairs and renovations over the years, his profits kept pouring down the drain.

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LETTER FROM THE EDITOR

In many ways, this issue of *BusinessWorld* is a celebration of the entrepreneur: the real builder of any economy. Governments may come and go, policies may flip and flop, economies may boom and then go bust, but the entrepreneur is an all-weather animal, forever fighting to build, to create, to make money and prosper. The Indian entrepreneur is, if anything, an even more gutsy animal. He (or she) has to be, if he is to survive in an environment where business is often considered worse than thievery and to be called rich is tantamount to being abused. To succeed in this ambience is, to put it mildly, difficult. And that is why *BusinessWorld* considers it a part of its mission to play cheerleader to India's growing band of entrepreneurs.

Nirma's Karsanbhai Patel, the focus of our Cover Feature, is one of them. If Patel had had his way, few newsmen would have got within shouting distance of him, leave alone write stories about him in the press. Part of the reason lies in his publicity-shy character, but the more important reason, without doubt, is the fear of drawing official attention to his success. That, in the Indian business scenario, is as good as asking for trouble.

It is not difficult to see why. One of the major reasons for Patel's phenomenal success has been his ability to use the government's favoured treatment of the small sector to advantage. Having achieved a turnover of over Rs 350 crores in 1987, he can no longer pretend he's a small player; but if he does opt to graduate to the large sector, he has to contend with debilitating controls and curbs on growth. Which entrepreneur would like to take the second option given half a choice?

The fault lies in the government's approach. Its much-vaunted pro-small sector policies may, on closer examination, prove to be a hoax because they place a premium on remaining small rather than allowing a growing business to expand according to the needs of the situation. The excise and duty concessions are a double-edged sword for small businessmen. While they may be helpful up to a point, beyond that they remain a stumbling block to natural growth. In such circumstances, it may be worthwhile examining whether small businesses need the excise crutch at all to get moving. A policy environment that offers all-out support to would-be businessmen, rational taxation and simpler procedures may prove to be a greater spur to entrepreneurship.

Thankfully, there are signs of that happening, as our story on venture capital in this issue indicates. Projects that would earlier have never seen the light of day are now basking in the sunshine of easier finance and more venturesome venture capitalists.

The Entrepreneurs section this time throws the spotlight on another healthy trend: the rise of businesswomen. Not all of them have been extraordinarily successful and some of them are even facing rough weather. But then, that is what entrepreneurship is all about; finding solutions to problems. *BusinessWorld* wishes them well.

R. Jagannathan

BusinessWorld

IN THIS ISSUE

NIRMA FACTORY IN AHMEDABAD & (INSET) KARSANBHAI PATEL: GROWING AMBITION

COVER FEATURE

NIRMA: INTO THE BIG LEAGUE

Nirma's Karsanbhai Patel, one of the finest contemporary examples of indigenous entrepreneurship, is all set to saunter into large-scale industry with a project to manufacture linear alkyl benzene. Even as Patel prepares for the transition, Nirma faces a clutch of competitors on home ground: detergents.

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SPECIAL REPORTS

A TAXING PROBLEM

By imposing a cess on all share transactions to fund the Securities and Exchange Board of India the government has set the cat amongst the stock exchange pigeons. Right now there are a lot of ruffled feathers.

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MSE: GROWING PAINS

After hibernating for most of the past 50 years, Madras Stock Exchange is suddenly growing apace. This has brought in its wake a whole lot of problems.

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ENTREPRENEURS

AT HOME IN INDUSTRY

Women are entering industry not only as employees, but as employers too. Their number is still small, but it is growing.

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ENTREPRENEUR MADHU JAIN: PROFITABLE START

ECONOMY & BUSINESS

PSF: RELIANCE VS. THE REST

Three major big business houses — Singhania, Goenka and Thapar — have collectively staked a colossal Rs 330 crores in polyester staple fibre. The government's policies, however, appear to have benefited only one PSF producer: Reliance.

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SHIPPING: WHY ESSAR WANTS SCINDIA

Scindia Steam Navigation Company, a stretcher case in the beleaguered industry, is not quite an unloved lossmaker. Essar Shipping, for one, appears close to taking the ailing company over. What is the attraction that Scindia holds?

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HARD METAL TOOLS: SUNSHINE AGAIN

Though not yet out of the woods, hard metal tools manufacturers see brighte prospects ahead. Industry leaders like Widia have started showing improve results.

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CORPORATE COMBAT

BATTLE OF THE BOTTLE

Introducing a new colu on marketing strategies an era of greater competition.

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IN THE NEWS

THE UNIT THRUST

The Unit Trust of India, which broke the Rs 2,000 crore barrier this year, is "racing ahead." Meanwhile, chairman M.J. Pherwani is setting his sights on even more challenging targets.

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EXCEPTION TO THE RULE

The Karnataka Land Army Corporation, unlike other public sector construction outfits, has something to write home about. CMD Mallappa is the man behind its success.

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CONFIDENT WIREMAKER

S.N. Khaitan is welding his fleet of five companies together into a single armada. Shalimar Wires, which completed its silver jubilee this year, will be the flagship of the newly-forged Satya group.

KHAITAN: STRENGTH IN UNITY

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THE ELECTRONIC DIVIDE

Three leading manufacturers of electronic goods from the south have banded together. A.N. Srinivasa Rao, president of the new-born association, plans to make sure the government sits up and takes notice.

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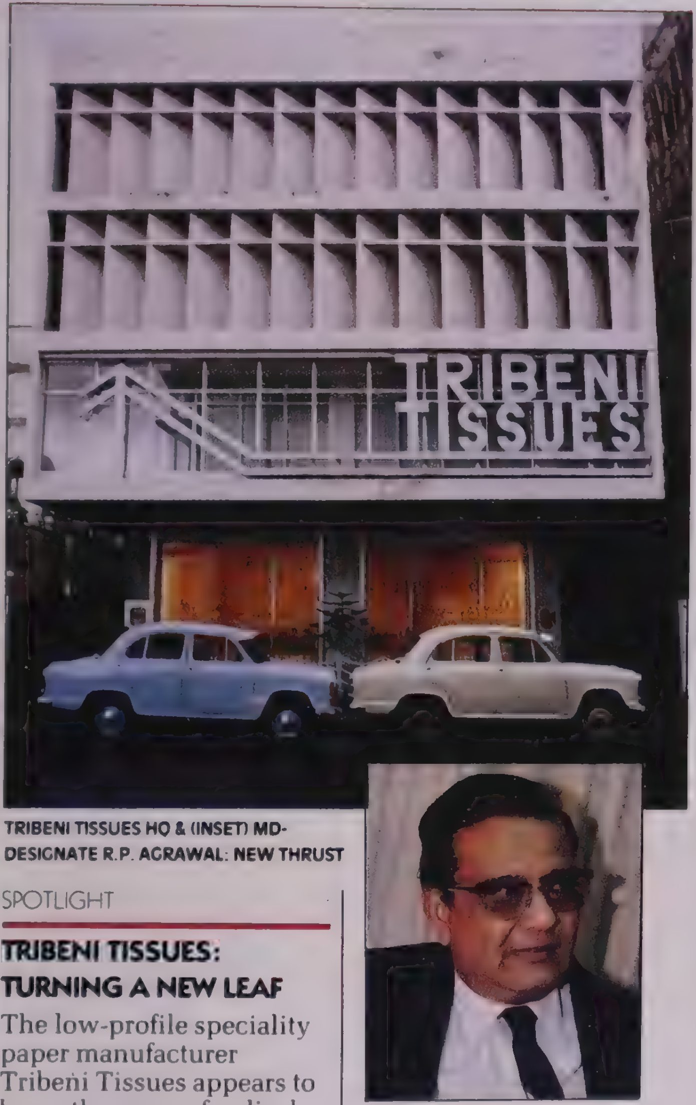

TRIBENI TISSUES HQ & (INSET) MD-DESIGNATE R.P. AGRAWAL: NEW THRUST

SPOTLIGHT

TRIBENI TISSUES: TURNING A NEW LEAF

The low-profile speciality paper manufacturer Tribeni Tissues appears to be on the verge of radical transformation under new management. Egged on by new overseas parent Batco, Tribeni may be about to enter the fast lane.

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SPECTRUM

CAN VENTURE CAPITALISM BLOOM IN INDIA?

In the last one year, several venture financing funds have been set up to finance high-risk, high-potential projects. They have already lent pots of money to entrepreneurs. Will they click?

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ALAGH: UNDISPUTED POSITION

Perhaps it is only happenstance but Sunil K. Alagh has emerged as undisputed No.2 in food products giant Britannia Industries Ltd.

"It just so happens that I am the only executive vice-president left," says Alagh. A couple of years ago there were two executive vice-presidents and two senior vice-presidents all of whom were on the board of directors. Now, aside from managing director E.J. Grinsted, Alagh is the only other executive director on the eight-man board.

But does that put him in the running for the top slot? "The only thing new is that I'm clearly No.2," says Alagh. "There was scope for confusion earlier. As for the next MD it could be anybody. You can draw your own conclusions." Many people already have.

Calcutta's first and so far only business club The Conclave has just completed one year and is doing very well, thank you. While it is a moot point whether its bottomline is in the black, there is no question that gastronomically-conscious Calcutta has taken favourably to The Conclave's culinary fare. A new and third outlet concentrating on international cuisines is now on the anvil.

For Harsh Neotia (27), a scion of the Sekhsaria-Nevatia family which has promoted Gujarat Ambuja Cements, it is literally a case of the proof of the pudding being in its eating. The family would have liked Harsh to have gone the traditional route to industry, but the young man was obstinate. "I wanted to strike out entirely on my own and that too, in a creative venture," says Neotia, who has designed Conclave's uppity interior decor himself.

But was it really necessary for Neotia to be so different? Surely, for Indian businessmen, making money is already a creative occupation.

THE CONCLAVE

NEOTIA: CREATIVE CUISINE

It takes two to tango. Volker Malessa, regional vice president of Nixdorf Computer AG, and N.H. Kale, managing director of Kale Consultants Pvt. Ltd. (KCPL) seem to be doing it rather well.

The two were together in Bombay recently to flag off a tieup, initially only in marketing but later to involve equity holding too. Nixdorf and Kale will be developing software together, the West German firm hawking it abroad, and its Indian partner at home.

"We want to marry Kale because they are the most established in UNIX and they have the approach and drive we want," says Malessa. "We want to tie up with Nixdorf because they share our philosophy of uncompromising quality," says Kale.

The new baby is expected to add about Rs 10 crores to KCPL's turnover over the next three years. With all the marital murmurings in the air, it is perhaps apt that one of the first projects is selling software to hospitals.

KALE (ABOVE) & MALESSA: MARITAL MURMURINGS

4 AUG 1988
C. F. T. R. I.

LETTERS TO THE EDITOR

CORPORATE COMBAT

COLLECTOR'S ITEM

The Cover Feature on 'Corporate combat'(*BW* June 8-21) was really a collector's item. The article listed the marketing events of the decade and stated how giant companies have failed in their assessment of consumer tastes and the consequent disasters. When the giants fall, they do so majestically.

An interesting observation is how well some firms are able to put their ears to the ground while others are not. Contrast Ponds and Nirma. The former with its professional background and sophisticated methods has come to nought with each of its new-product launches, while the latter, which has hardly any professional history to talk about, has been extremely successful in each of its new-product launches.

This need not signify the irrelevance of professionalism or sophisticated techniques. To me it only signifies the necessity to be sensitive to consumer tastes—beyond professionalism, beyond technique.

BALA BHASKARAN
Ahmedabad

HELP!

This refers to the Cover Feature 'Corporate combat' (*BW* June 8-21). One hopes that apart from making our famous private companies more consumer oriented and market conscious, the increasing competition will also force them to follow basic business ethics, which in my experience are being flouted by even prestigious, companies. The famous Orkay and its registrars, Datamatics Consultants, are behaving in a manner which is no better than a petty, shameless businessman. They have not yet repaid my deposit No.S00274 for Rs 3,000 — which matured on 11 March 1988. Datamatics even acknowledged the receipt of the fixed deposit in February 1988. But the amount has not been paid so far, and a number of letters written to them in the past three months have evoked no response.

K.R.S SREEDHAR
Srinagar

KUDOS FOR KURIEN

Recently, I read Jayashree Kapahi's excellent Business News entitled 'Maharashtra milk politics'(*BW* Oct 26-Nov 8, 1987).

I was connected with the Indian dairy industry for nearly two decades.

Every effort should be made to ensure that the producer receives a fair price for the quality of milk he supplies and the consumer gets a safe product which is unadulterated , free of harmful additives and contaminants, and is available at a reasonable price. This can only be achieved if the procurement, processing and distribution of milk is handled efficiently by skilled personnel who are answserable to both the producer and the consumer. Dr. Kurien's efforts at eliminating the corrupt official-politician-union combine which is responsible for hiking operational costs is indeed laudable and needs support.

DR.MURTY BHIMASENA RAO
Houston, USA

PAT ON THE BACK

Apropos your Spotlight feature on the'Monopolies Commission'(*BW* June 8-21). there is no denying the fact that if there is any court of legal adjudication in India which is successfully attempting to belie the wry aphorism "Justice delayed is justice denied", it is the MRTP Commission. Considering the agonising gestation period of the cases pending in all our courts, the superlative speed of the commission in dispensing redress to the public deserves high decibel applause.

However, much of the good work of the commission is whittled down by the fact that it lacks an effective machinery to ensure the implementation of its orders both in letter and spirt by the erring parties. Not a few trangressors are found to be nonchalantly sidetracking the commission's orders by changing a comma here or a colon there or by resorting to clever euphemisms in their subsequent ad campaigns. The enforcement machinery has to be given substantial authority to make the commission's functioning more meaningful, which will help in eliminating corporate improprieties.

R.C.KHANNA
Amritsar

SUCKERED BY BAJAJ

Your Special Report on Bajaj's relaunched 100cc motorcycle (*BW* June 8-21) failed to take note of one aspect— the suckered customers who bought the original KB100 bikes and are stuck with an inferior one.

It is a pity that we don't have a Ralph Nader-like consumer movement in India which can force Bajaj to replace all its old KB100s with the new models. If the Bajaj management is stung by even a semblance of business ethics, then it should exchange all the failed KB100s with the new RTZs after asking the users to pay a small price difference as depreciation.

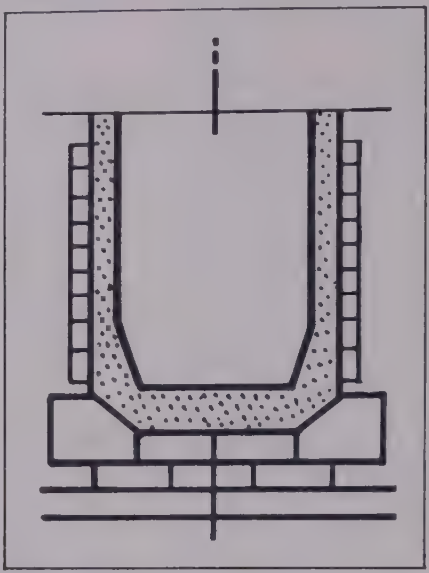
During the launch of the RTZ, I queried a Bajaj engineer about the fate of the original KB100. "We have forgotten the KB100. It's a closed chapter," he replied. But sadly, for the thousands of customers who placed their faith in Bajaj and its first 100cc mobikes, the chapter of woes continues.

G.C.SHEKHAR
Madras

POSITIVE TREND

M.V.Kamath's analysis of Indian political parties (*BW* May 23-June 5) was really a welcome feature under the political comment article entitled 'A political quagmire'. I would like to state that a small but a certain positive political trend favourable to Miss Jayalalitha, MP exists only as far as Tamil Nadu is concerned. She has addressed many crowded meetings. No other leader from Tamil Nadu has established the grassroots level com-

Quality Monolithics
from Tatas



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munication which Jayalalitha has done in order to ensure a stable and one-party government led by her.

A.VIJAYALAKSHMI
Madras

CONGRATS!

Congratulations for publishing the very educative article by Mr.T.A. Balasubramanian, entitled 'Computers as crimefighters' (*BW* June 8-21).

S. VISVANATHAN
Madras

THE SLIP SHOWS

I would like to point out an error in the Personality feature 'Hotelier extraordinary'(*BW* June 8-21). The caption: 'The Baghdad-based Babylon Oberoi,' is incorrect. The picture is that of the Oberoi Palace, Srinagar.

SHIRIN GERGAN
Bangalore

Sorry. The pictures got interchanged by mistake — Editor.

LETTING IT ALL OUT

This is with reference to the Ad & Marketing World column in which you carried a piece on chocolates (*BW* May 9-20) written by Kavita Gursahaney.

It has been commented that our product, and I quote, is being sold "under the unimaginative brandname Cocolet" and again, I quote, "consumers have already been complaining that the coconut content in Atari's Cocolet has been turning rancid," etc.,etc.

Obviously, Ms Kavita has researched this product defect and she has "written complaints" from consumers which you have seen. However, we would like to state that to date we have not received any such complaints and I think we are more in touch with the market and the consumers than Ms Kavita. With regard to the unimaginative brand name, we presume that Ms Kavita is an expert on this also.

She referred to our brandname "Cocolet" as being unimaginative. To us this is not critical journalism but stinking yellow from Mello.

S.I. KARIM
Marketing manager
Atari Foods Pvt.Ltd.
Hyderabad

WANTED: JAPANESE TECHNIQUES

We have been regular subscribers to *BusinessWorld* right from its inception. The magazine is improving and is highly educative. It deals with a number of subjects essential for the business community.

As many businesses are adopting the Japanese style of marketing and management, it would be appreciated if you introduced a special series on their style.

General Manager
General Hivack Electronics
Madras

ERRORS GALORE

I was shocked to read the Banking & Finance article entitled 'Credit policy bombshell' (*BW* May 9-22). The article mentions "innumerable schemes," but the information given has not been checked properly and there are mistakes in every line. It was stated that:

1. Interest rate cuts were effected from September 1, 1987. But the date is April 1, 1987.

2. Deposits in public sector companies offer a tax-free return of 9% and a taxable one of 14%. But before April 1, 1987 the rates were 10% and 14% respectively, and after April 1, 1987 they were 9% and 13%.

3. National Deposits offer 100% tax exemption for four years. But it is the National Savings scheme under s.80CCA of the Income Tax Act which offers 100% exemption up to Rs.30,000 for three years.

4. It was written that there is tax exemption on dividend income up to Rs.3,000 under s.80L. The actual situation is that, earlier, under s.80L the National Deposit scheme exemption was exclusive up to Rs.2,000 and this was raised to Rs.3,000 along with dividend.

5. It was mentioned that the postal monthly income scheme was not eligible for the benefits under s.80L. But with effect from the assessment year April 1, 1989, this scheme will receive the exemption under s.80L.

6. Finally, all blade manufacturing companies are not offering high interest rates. Only fly-by-night companies have been doing so.

LALITKIRAN B.BAPAT
Pune

THE CAFFEINE QUESTION

NESCAFÉ
SELECT
NESCAFÉ
SELECT

PLEASE FILTER THE CAFFEINE

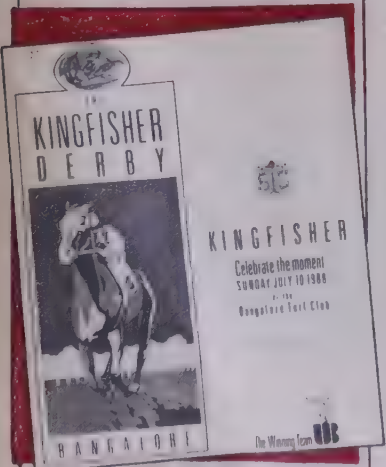
Nescafe contains caffeine, which is harmful for health. In some foreign countries, Nescafe is advertised as "Nescafe Decaffeinated" after 97% of the caffeine has been removed.

I want one clarification from Food Specialities Ltd. Is 100% of the caffeine removed in India? If yes, why don't they advertise it? And if no, why don't they filter out the caffeine, which is known to be harmful to health.

RADHA KISHAN BINANI
Calcutta

BATTLE OF THE BOTTLE

BLUE RIBAND
A CUT ABOVE
BLUE RIBAND



Liquor advertising is banned. But there is no way one can stop the spirited.

Laws and loopholes are two sides of the same coin. This is a fact of life in a number of situations — occasions on which the law is the proverbial ass.

Take liquor advertising. The law states that liquor can be advertised only in liquor outlets and bars. But does anyone abide by the law? Not a chance! A casual glance through the glossies or a quick drive down the important roads of major cities is enough to see how the liquor barons are advertising their goods. The industry is advertising the mainline brands without appearing to do so.

Advertising for liquor brands in places other than liquor outlets and bars started around 1980. The 'credit' for this goes to the Ahujas, who were in the tea business and later diversified into liquor and started advertising Black Stallion on the panels of BEST buses in Bombay. At this point of time, the Ahujas sold two products under the Black Stallion brandname. The first was packaged tea and the second whisky. The bus panel ads, while passing off as advertising for tea, were actually building up a quick awareness for Black Stallion whisky.

The lawmen decided to stop this audacious gambit and swooped down to check the Ahujas' books of accounts. As expected, the promotional expenses for Black Stallion were apportioned to packaged tea. The lawmen were taken aback.

The lawmen also found a brand (Black Stallion packaged tea) whose advertising and promotional budget far exceeded the sales revenue. Could they do anything about it?

Little, very little, because there is no rule which states that advertising and promotional expenses should not exceed sales revenue. Such a law, if ever passed, will go against investment advertising and advertising in test markets. (In test marketing, the ad budgets are generally more than the sales revenue in that market.) Because of this, the law could do nothing in its crusade against the Ahujas. However, the morally conscious councillors in the Bombay Municipal Corporation voiced their concern over such 'unethical' practices and Black Stallion — tea and whisky — were denied further use of the bus panels.

MAJOR VICTORY

This turned out to be only a small victory for the law, but a major victory for the liquor industry. The other liquor companies got into the ring with their versions of Black Stallion. Mohan Meakins started advertising its Golden Eagle beer as mineral water. (Unlike in India, beer ads are allowed on television in many western countries.) While Black Stallion was tea and whisky, Golden Eagle was beer and mineral water. The gap between what was advertised and what was supposed to be advertised was narrowing.

Mohan Meakins did not stop at hoardings. During the India-MCC Test match at Chepauk, Madras, in 1985, the company had a human Golden Eagle, complete with claws and a beak. This human eagle rubbed shoulders with politicians, bureaucrats and the players in the pavilion. The boys and girls in the pavilion turned mischievous and started plucking 'golden' feathers off the eagle. This resulted in the police providing an escort for the eagle on the other days of the match. Unbelievable, but true. The law was protecting the loophole!

United Breweries (UB) has not been slow in entering the fray. McDowell's soda was launched to take care of McDowell's whisky. There was the adventurous step of having the outline of its whisky pack in the press ads. McDowell also went into sponsorship in a big way by sponsoring turf races. The race course was gaily decorated with McDowell banners and their 'moving spirit' slogan. Perhaps the pun on 'moving spirit' was intended.

UNDER ATTACK

Diplomat, another whisky brand from UB, has been advertised as a cologne. The press ads for Diplomat Cologne feature Dimple Kapadia and Tina Munim. This ad has recently come under attack from the Monopolies and Restrictive Trade Practices Commission (MRTP). According to informed sources, McDowell was marketing Diplomat Cologne — a product from Carews Pharmaceuticals. The total sales of this cologne in 1986 and 1987 was Rs 1.3 lakhs while the ad budget was Rs 11.94 lakhs in 1986 and Rs 12.52 lakhs in 1987. Another Black Stallion!

Dynasty from Herbertsons is passed off as playing cards with a baseline which reads 'rich, smooth and distinguished.' Some playing cards, these! The Bagpiper ads feature Pran, Ashok Kumar and Sanjeev Kumar. Blue Riband is advertised as lime cordial. The list goes on...

The government is in an unenviable situation. It cannot stand by the law it has enacted. It cannot take strict action because the liquor industry fills the government's coffers with excise duty. The ad agencies wil not do anything to jeopardise their revenue The media will not do anything as it is goo business. Who, then, will bell this runawa cat? Or should the government do away wit this law which it finds difficult to implement

■ *D. Shivakumar*

The author is a Bombay-based marketing executive.

SEBI: TAXING PROBLEMS

One paisa is literally all it took to set the dovecotes aflutter in India's major stockmarkets last fortnight. Stockbrokers' tempers spontaneously flared up in the wake of the Union finance ministry's notification dated 15 June imposing a new cess on stockbrokers, jobbers and listed companies. There were flash strikes at the Bombay and Calcutta stock exchanges and the shock waves were felt all over the country.

No one is quarrelling with the reason for this levy, which is to raise money to fund the newly created Securities and Exchange Board of India (Sebi). Rather, hackles have risen at the "arbitrary, high-handed and unrealistic" way in which the cess — promptly dubbed a "turnover tax" — has been thrust on the broking community.

"The Calcutta Stock Exchange (CSE) was not consulted," remonstrates CSE president Dilip Khandelwal, adding frostily that CSE's governing body has "rejected outright the turnover tax proposal." In Delhi too, although there was no trading boycott, the stock exchange board reacted swiftly in writing to the government opposing the levy as a "harsh and regressive measure." They declined to comply with it.

In Bombay, where most of the activity is concentrated, the brokers have set up a six-member committee to spearhead the fight against the levy. "The Sebi is part and parcel of the government; why should we fund it?" asks committee member Kisan Ratilal Choksey. "The idea is ridiculous." But other brokers feel that making a lumpsum payment instead of a cess on turnover could prove more workable.

On the face of it, the proposed cess seems innocuous enough. Stock exchanges are required to levy on each member a fee of one paise per Rs 100 worth of transactions; jobbers will pay only half this sum. Besides, every listed company will have to cough up a 20% surcharge on its listing fee for transfer to Sebi's coffers. Reasons a finance ministry spokesman: "It is essential that Sebi should be adequately funded to enable it to discharge its duties and functions effectively."

Enormous charge. But stockbrokers' blood pressure went shooting up once they began to crunch numbers. The daily turnover in the country's 15 major and minor stock exchanges is currently estimated at about Rs 250 crores. Reckoning a working year to have 260 days (52 five-day weeks) the apparently trifling charge of one paise per Rs 100 translates into a staggering Rs 6.5 crores per annum. Add the surcharge on listing fees — numerous companies are listed on more than one stock exchange — and Sebi's "adequate funding" tots up to a cool Rs 10 crores a year, stockbrokers argue. Says a piqued Khandelwal: "Sebi is a non-profit service organisation. It hasn't been explained to us why it should need such enormous recurring funds." Questions Choksey: "If the financial institutions and the stock exchanges are not financed by brokers, why should the Sebi be?"

KHANDELWAL: OUTRIGHT REJECTION

The question of being informed about Sebi's funding needs apart, stockbrokers raise other fundamental issues. It is a well-known fact, for instance, that the stock exchanges' existing monitoring machinery is already inadequate to ensure payments of margins by members. The new cess will compound the confusion. Says a CSE committee member: "It will be a tough task to monitor the daily transactions of each member and to compute the individual levy charges."

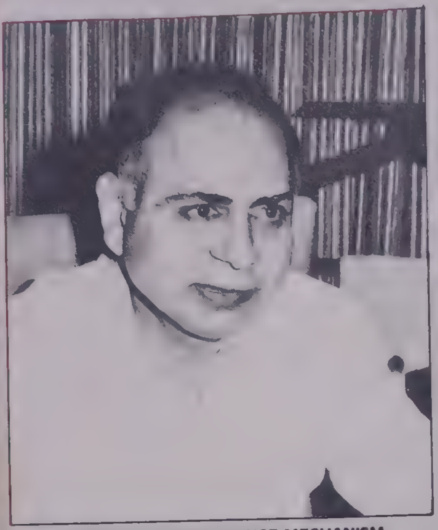
The "tough task" theory is only a euphemistic way of stating a very real concern on the part of stock exchange authorities, namely that jobbers and stockbrokers might tend to avoid the cess simply by doing part of their transactions "unofficially."

Khandelwal of CSE raises another point. He says that the levy on listed companies at the rate of 20% of their annual listing fees will "make companies think twice" before enlisting themselves on several stock exchanges. "It means a full 100% additional cost burden on a company listed at five places," he argues. Should companies, mindful of this burden, baulk at multiple listings in future, the potential danger according to Khandelwal is twofold. On the one hand, stock exchanges will stand to lose revenue. On the other, investors at centres where companies do not list their shares will suffer a loss of liquidity. Both counts negate Sebi's objectives.

A damper. And neither is this all by way of negative arguments. Since it is a foregone conclusion that brokers will pass on the additional cost to their clients, market monitors vouch that a "distinct possibility" exists that the cess could act as a damper to investor interest in the secondary capital market. Some Calcutta-based brokers add fuel to the fire by suggesting that "once the Centre imposes this tax on turnover, the state government may also think of imposing similar levies."

At the bottom of it all, of course, is the persistent fear that the one paisa levy is only an opening gambit. And that once the principle is conceded, the thin end of the wedge will start becoming thicker and thicker. "Don't we all know that the government has a giant appetite?" notes a caustic CSE member. In recent days, a flood of memoranda, petitions, telegrams and missives have separately reached the

POLICY & PURPOSE



DAVE: EFFECTIVE SURVEILLANCE MECHANISM

India's newest financial institution, the Bombay-headquartered Securities and Exchange Board of India (Sebi), was created on 12 April 1988. "Its twin mandate is to promote the orderly and healthy development of the securities markets and to provide adequate investor protection," explains the board's first chairman S.A. Dave, the Bombay and Rochester (New York) educated former executive director (1987-88) of the Industrial Development Bank of India (IDBI).

The overall objective of Sebi is "to create an environment" which will facilitate the mobilisation of adequate resources through the securities markets. Dave explains that the "environment" would include rules and regulations, institutions and their inter-relationships, instruments, practices, infrastructure, policy frameworks — all imbued with an air of fairness. Also, special attention would be given to small investors. Sums up Dave: "The markets must inspire confidence."

Dual role. In accomplishing its broad objectives, Sebi expects to play a dual role by adopting both regulatory and developmental functions. Dave feels that the need for regulations is akin to having traffic rules or laws for the game of cricket. However, he reckons regulatory measures as being subservient to the needs of development: "The Board would aim at creating an effective surveillance mechanism for the securities markets, and encouraging responsible and accountable autonomy on the part of all players in the market."

The catch is that all of this is going to cost a lot of money. Right now, the "board" is actually a one-man body — namely Dave, who is still operating from his old IDBI office. Also, because the necessary law is yet to be passed, Sebi is a non-statutory body in its present incarnation. The fully constituted statutory board will naturally need a large infrastructure replete with prestige appendages like a computer division. It also aspires to create and administer a Rs 10 crore capital market development fund.

"The basic purpose is to make the capital market healthy. In other words, it must be remunerative, liquid, and above all, fair," says Dave.

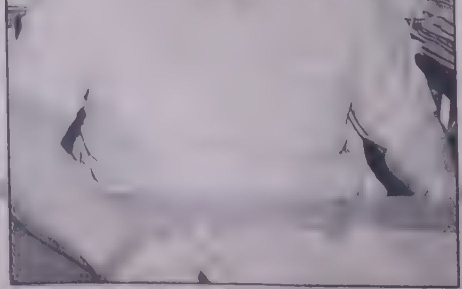
stock exchange division in the Union ministry of finance, the office of the controller of capital issues and the desk of Sebi's erudite chairman S.A. Dave.

Not that the mild-mannered Dave is particularly fazed at the current impasse and its latent menacing overtones. He was fully prepared to hear this litany of woes and apprehensions. He patiently explains: "The idea of putting a levy was not suddenly taken out of the hat. We studied current practices all over the world and found that it is standard practice for securities and exchange commissions or boards to raise all their resources from market participants. The underlying principle is that 'only beneficiaries must pay.' Since this principle is quite reasonable, it was thought fit to apply it to India as well."

Wrong in principle. "But just because it is done all over the world does not mean it is correct," retorts Choksey. "In fact, it is wrong in principle. The Sebi will function for common advantage, for the economy as a whole. As I recall it, Rajiv Gandhi's idea of Sebi was that it would help capital formation and foster investor confidence. It should logically be financed by the Central budget just like any other government scheme." Choksey's clincher however, is: "This board will be government-controlled, not an independent body. We will gladly pay up for something that is under our control."

Dave concedes the point that as the financial institutions are major stock-market players, they ought to contribute the lion's share of Sebi's funding needs. He says that a proposal has already been mooted for the institutions to pitch in by funding a corpus of Rs 30 crores to enable Sebi to kick off in style. Of this sum, Rs 10 crores will be earmarked for starting up a capital market development fund while the rest will be used to handsomely fund Sebi's infrastructure creation needs. Implied is Dave's rebuttal of the allegation that the levy will raise revenue for little else than feeding the perpetually resource-starved government's ravenous maw.

CHOKSEY : WANTING CONTROL



For good measure, Dave is understood to have suggested that as all are agreed on the purpose of setting up Sebi, brokers are free to come up with their own suggestions as to how the board might be funded. The firs round table meet on this score was convened at Ahmedabad on 16 July One silver lining in the cloud is tha the finance ministry's circular doe not stipulate a date for levying the new fees. As such, no time bomb i ticking away and the 'one paise crisis suffers no looming deadline. A smal but welcome mercy.

■ *Sujoy Gupta*

MSE: GROWING PAINS

MSE: CENTRE OF ACRIMONY

The golden jubilee celebration of an organisation should evoke images of veneration, stability and solidity. For the Madras Stock Exchange (MSE), the occasion in March 1987 had more ominous undertones, and events thereafter have scarcely helped retain such associations. Just weeks after the celebration, there was a bitter row over the planned 'linkages' between two of the leading stockbroking firms in Madras — Chitra & Co. and Madan & Co. That storm was somehow weathered. But more was to follow.

The underlying discontent caused by events over the past year or so finally exploded into the open in the middle of June 1988 when the MSE authorities received a notice, signed by 10 members (two members later withdrew), proposing to move a few ordinary resolutions at the 31st annual general meeting (AGM) on 29 June. In effect, the resolutions sought the removal of the president, the vice-president and five other members of the governing council; the two other council members were not named as they were not seeking re-election.

The explanatory statement enclosed along with the notice, which incidentally was drafted with the aid of top-notch legal eagles, straightaway explained the rationale behind the notice. "Since July 1987, the actions and decisions of the elected members of the council of management tend to indicate that the council of the Madras stock exchange is unable to administer the exchange and supervise the administrative machinery of the exchange in a fit and proper way," was the no-nonsense introductory sentence. To buttress the demand for removal, specific instances "illustrative of the above" were also proferred (see box p.12).

The action was certainly extreme. One of the members who moved the resolution told *BusinessWorld* a couple of days before the AGM: "This is the first time in the history of the MSE that a resolution to impeach the council has been moved." What added significance to the resolution was the fact that the oldest broking firm in Madras was also party to it.

Tremendous pressure. But the action prompted swift moves. Said the member quoted earlier: "We are under tremendous pressure to withdraw the resolution. Earlier, they tried to stall the resolution saying that six weeks' notice was required. But later they came round to our view that as per the Companies Act, only two weeks' notice was required to move a director."

Despite the hectic parleying that was going on and the fact that his position was being threatened, V.K. Padmanabhan, the genial, easy-going president of the MSE, stayed unruffled. "Everything will be sorted out satisfactorily," was his refrain.

> *Many current problems stem from the rapid and sudden growth of the MSE*

What gave the elections added significance was the fact that the incumbent vice-president, V. Ganesan, who by tradition would have become president next year, was also in the fray. In all, there were three seats to be filled.

The results were somewhat dramatic. As per the system of voting adopted by the MSE, a candidate may have votes polled in his favour or against him. Thus, the 'net votes' are taken into account to determine the winners. Ganesan had 59 votes in his favour and 55 against, leaving him with a net positive vote of only four. In sharp contrast, the three members who were declared elected to the council all had 50 plus net positive votes. What was also surprising was the fact that compared to Ganesan's membership of the stock exchange for about 20 years, the three elected had just completed the minimum three years required for contesting elections to the council.

Smouldering discontent. This was indication enough of the smouldering undercurrent of discontent in sizeable section of the broker community. The resolution movers feel vindicated. Says one such broker, "One thing is sure, they (an oblique reference to the old guard which essentially controls the MSE) can no longer take anybody for granted."

Padmanabhan continues to be placid. In his easy, sedate manner, he dismisses the entire affair as commonplace and not of much consequence. "This is a very small affair," he says. "There was no problem in the real sense. I have to hear these suggestions and complaints everyday." There are other brokers who view things differently. Says a former president: "The charges made (in the explanatory statement) are not without basis."

There is agreement, however, on one major issue — on the premise that many of the current problems have stemmed from the rapid and rather sudden growth of the MSE. "It is a problem of growth," says Padmanabhan. Concurs a former president, "In the past few years, there has been an expansion." The figures too support this assertion. An initial membership of just five in 1937 slowly rose to 38 in 1980 (it was 49 in 1947 but came down later). In 1985, the number of members touched 66; this became 97 in 1986 and 114 in March 1987. Today, the membership is 142.

The number of companies, securities and market value have all registered an increase too. From 108 in 1937, the number of companies rose to 399 in 1980. In 1986, it stood at 492.

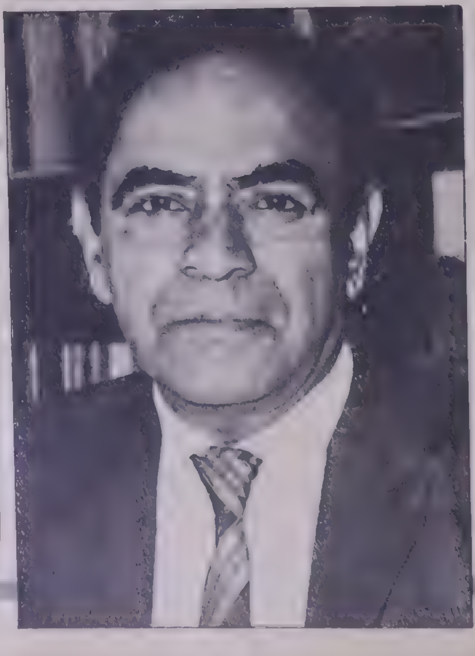
LIST OF CHARGES

- Members who have not paid their dues continue to be members for over 14 months. The council is neither monitoring nor taking suitable action against erring members.
- Uniform policies are not followed in the case of defaults or delays in payments.
- No timely action has been taken to control trading in volatile scrips on a number of occasions, apparently to favour certain members.
- Membership applications are handled arbitrarily.
- Under the provisions of the Securities Contracts (Regulation) Act, a member cannot do any other business which involves financial commitment from him and he cannot take up any other employment drawing salary. The council has not taken action.
- No action has been taken in the case of an alleged fraud committed by a lady member before she became a member, or on the allegation that she had paid a bribe to an official of the exchange.
- There have been contradictory rulings in matters relating to good/bad deliveries; sometimes even the same set of documents were judged in different ways.
- Margins inconsistent with the bylaws have been imposed to suit the convenience of certain members.
- The salary and perquisites payable to the executive director have not been approved by the members and the company law board as required by the Companies Act.
- The funds of the exchange are being spent in an arbitrary way.

Centralised settlements. Nor are these figures likely to remain static. The roll call itself is poised to increase by at least 25 to 30 because of the imminent entry of a new category of professionally qualified members. But the MSE, regarded as one of the better administered exchanges in the country, has already taken some steps. For one, it has introduced the centralised system of settlements, a legacy of the previous president's tenure. Under this system, payments and deliveries are made daily at the same place. Brokers have thus to write only one cheque in favour of the MSE for the whole day's transactions. Defaults too are immediately exposed. MSE is also the only exchange where every transaction is recorded on a 'real time' basis. Discussions have also taken place with the Madras Metropolitan Development Authority on the possibility of allotting some land to the MSE to build a 'model exchange' which will have enough space, a major problem today.

"It is not as if these things (membership increases, personnel requirement, space shortages, etc.) were not envisaged. But today action on these aspects is sadly lacking," says a former president. One of the members who moved the resolution is more blunt. "The administrative machinery has just broken down," he declares. According to the former president, the MSE authorities were proceeding in the right direction in the matter of improving the administrative infrastructure. "But nothing has happened in the past year. It is basically a leadership crisis — the president and the council must be able to give a direction," he opines.

PADMANABHAN: FAMILY AFFAIR



The inadequacies of the administration have been the major reason behind MSE compromising its basic 'cash-and-carry' character. Says a long-time broker with predominantly 'investment' clients, "Over the past year or so, the 'cash-and-carry' character of the MSE has been diluted to a great extent." Some brokers also say that there has been a payments crisis of sorts, a situation which could have been averted as all information is readily available.

Nor do some brokers see eye to eye with Padmanabhan's assertion that it was all a family affair and had nothing to do with the investing public. Argues a broker: "The imposition of margins has a direct bearing on the price of a scrip, which obviously has a direct bearing on the investing public. This (assertion) is clearly not right."

Harmful for image. But brokers are generally agreed that such squabbling, if it can be called that, can only harm the collective image of the broking community in the minds of its crucial and relevant publics — the investing public, the government, the financial institutions and the corporate sector. This is apparently one reason which prevented the movers of the resolution from putting it to the vote.

At this juncture, the MSE has a strong base on which to build its administrative capabilities. "The members too are highly motivated," says a former president." But if we don't act now, we may have to start all over again two years later. "Padmanabhan views it from a wider angle. "While we can improve facilities, unless the basic problems — incomplete, misleading information being provided to investors, rampant insider trading, inordinate speculation, etc. — are tackled, we can go nowhere," he stresses.

There are no two ways about it. It is quite clearly time for stocktaking by the 51-year-old MSE.

■ *Chandu Nair*

CITY COMPENSATORY ALLOWANCE

The taxability of the city compensatory allowance has always been the subject matter of litigation in spite of court decisions in which it has been held that this allowance is outside the ambit of taxation. The reasoning is that it is paid to an employee to compensate him for a loss which he sustains upon his transfer to a city having a high cost of living.

There have been three important decisions of the Calcutta, Madhya Pradesh and Bombay high courts on this point. In all the three cases, the courts held in favour of the assessee that city compensatory allowance could not be taxed. The Calcutta high court's decision is in the case of *C.I.T. v. R.R. Bajoria (169 I.T.R. 162)*. The assessee was a member of the Indian Revenue Service. According to the terms and conditions of his service, he was liable to be transferred and posted to any city or town in India.

> *The reasoning behind tax exemption is that this allowance is paid to compensate an employee for a loss sustained by him on transfer to another city*

On the question whether the city compensatory allowance received by him was assessable, the Calcutta high court held that a compensatory allowance granted to a government servant under the fundamental rules was required to be regulated in such a manner that the same would not be a source of profit to the recipient. The rates of the city compensatory allowance varied from city to city.

The Calcutta high court opined that the amount paid to the assessee on account of this allowance did not come within the definition of income or total income nor within the purview of the computation or charging sections under the Income Tax Act.

The Madhya Pradesh high court's decision is in the case of *Bishambar Dayal v. C.I.T. (103 I.T.R. 813)*. In this case, the assessee, a retired chief justice of the Madhya Pradesh high court, claimed deduction from his total income of a sum of Rs 4,567.75 received by him as city compensatory allowance granted by presidential order under article 222(2) of the Constitution.

A note was put up in the return that the amount of city compensatory allowance received by virtue of the presidential order was not taxable either as salary or as income. It was contended on behalf of the assessee that the city compensatory allowance was not taxable by virtue of s.10(14) as also s.16(v) of the Income Tax Act, 1961.

The income tax officer upheld the assessee's contentions. However, the additional commissioner of income tax, on a perusal of the assessment order, was of the view that the city compensatory allowance was in the nature of salary as defined under s.17(1) of the 1961 Act or, at any rate, amounted to a perquisite as defined under s.17(2) of the Act. On an appeal to the income tax appellate tribunal, the appellate tribunal affirmed the view of the additional commissioner.

The Madhya Pradesh high court held in favour of the assessee that the city compensatory allowance is not included within the definition of salary nor can it be treated as a perquisite after considering the provisions of article 222(2) of the Constitution.

The case of the Bombay high court is that of *C.I.T. v. D.R. Phatak (99 (I.T.R. 14)*. In this case, the assessee was an income tax officer posted to Bombay. During the previous year relevant to the assessment year 1965-66, he received a city compensatory allowance of Rs 741 for the year. He claimed exemption of this amount under s. 10(14) of the Act or, alternatively, as a deduction under s.16(v) of the Act.

The income tax officer rejected the claim of the assessee. On appeal by the assessee, the appellate assistant commissioner dismissed the same, relying upon the orders passed earlier. On further appeal before the tribunal, the latter allowed the appeal.

On a reference, it was held by the division bench of the Bombay high court, after referring to the relevant provisions of the fundamental rules, that the assessee was entitled to claim exemption in respect of the city compensatory allowance under s.10(14). It was further held that the very definition of the expression "compensatory allowance" showed that it was an allowance granted to meet personal expenses necessitated by the special circumstances under which the duty was performed.

Subsequent to this judgment, however, an explanation has been inserted by the Finance Act, 1975, with retrospective effect. The same explanation makes it clear that any allowance granted to the assessee to meet his personal expenses at the place where the duties of his office or employment of profit are ordinarily performed by him or at the place where he ordinarily resides, shall not be regarded as a special allowance granted to him.

The explanation will not be applicable in the case of a government servant as his terms and conditions of appointment are governed by the fundamental rules. According to the definition of "compensatory allowance" in fundamental rule 9(5), it is really an allowance granted to meet personal expenditure necessitated by special circumstances in which the duty is performed which includes a travelling allowance but, however, does not include a sumptuary allowance nor the grant of a free passage by sea to or from any place outside India.

■ *H.P. Ranina*

The author is a Bombay-based advocate

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PITFALLS OF DECENTRALISATION

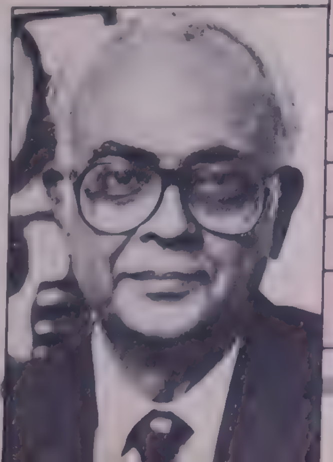
In the fifties, one believed that managing organisational change was essentially a matter of deciding upon the alterations to be made in such areas as the organisational structure or management systems (and in later years, in strategies). Next, appropriate fiats would be issued by way of circulars asking everybody in the organisation to adopt these changes. Most organisational restructuring in those days was, therefore, conducted by the "wise men" within the organisation or professional advisors who "knew" what changes were necessary.

The emergence of organisational consultants like McKinsey in the USA or Orr, Urwick & Co. in the UK altered the situation slightly. It then became more appropriate to bring in consultants to advise managements about how the organisational structure, systems and strategies could be changed. During this period, concepts like profit centres, strategic business units and performance centres emerged. Basically these reflected the new awareness outlined in writings on organisational structure, that if a large organisation was subdivided in terms of product groups or regions or customer groups, it would be better "differentiated." And thus, it could develop a greater marketing thrust, initiative in introducing new products and services, and be more clearly accountable for its profit performance.

MINI-BUSINESS

The corollary of all this was that each such profit centre had to have a designated head or chief executive. According to the textbook, separate production and marketing heads would report to the profit centre head so that for all practical purposes, it functioned as a "mini" business within the total business. The creation of such a distinctive business entity would help in servicing customer groups more purposively and single-mindedly. It would also choose its own technology, offer its own products, and most importantly, would be accountable for its results.

In reality, the transition from the functional structure (wherein the organisation was divided in terms of functions like production, marketing, materials, etc.) to the profit centre-based structure was not all that smooth. A major problem was to decide whether support services like finance, personnel, research and development, data processing, etc., should be made available to each profit centre separately, or should they be centralised? And if they were decentralised, how would the relationship of the decentralised support service managers with their respective centralised functions be defined? Would the finance manager of a product group consider his profit centre head as his boss and obey his instructions, or would he be an "agent" of the finance function in the profit centre?



The question of centralisation vs. decentralisation as far as R&D, maintenance, market research, etc., were concerned, also led to messy solutions. Whenever product groups or regional profit centres did not have the full complement of staff support services, they invariably complained of inadequate specialist staff. Where such support was provided, they doubted the managerial contribution of such staff as they were not answerable to the profit centre "boss."

Herbert Simon, the only Nobel laureate in the field of management (who was awarded the Nobel prize for economics since no prizes are given for management), extensively studied the role of financial controllers in such decentralised situations. He found that while financial controllers in the product groups were profit centre managers answerable administratively to the profit centre head, in all matters of financial policies, procedures, strategies and systems, they had to abide by the functional directions and instructions of the central finance setup.

TROUBLESOME DUALITY

The first was called the thickline relationship, while the second was called the dotted line reporting relationship. This duality has proved to be a thorn in the side of all profit centre-based decentralisation exercises. The ability of organisations to manage this relationship has to be evolutionary and many pitched battles are still being fought between central functions and the profit centres to determine who controls whom and what!

Another major problem in a decentralised profit centre-based structure is that, it invariably generates the club syndrome. In other words, it breeds loyalty to the product group or region, and callous insensitivity to other product groups. John Dearden of the Harvard Business School, who taught in India for nearly one-and-a-half years, used to recount his experiences as the corporate financial controller of the Ford Motor Co. before he moved to the Harvard Business School.

He said the car divisions of Ford would welcome and show around a manager from Chrysler and General Motors, but baulk at opening their doors to their first cousins — the other divisional managers of the Ford Motor Co. This allergy to other divisions was generated by the intense competition based on the return on investment (ROI) ranking of the various divisions. There was an

A major problem in a decentralised profit centre-based structure is that it invariably generates the club syndrome. It breeds loyalty to the product group or region, and callous insensitivity to other product groups almost superstitious fear that if you accommodated the other divisions in any way, they would beat you in the ROI game. In the process, optimisation of the overall organisational results was sacrificed. But this was of no concern to the divisional managers, who developed a fierce loyalty to their product groups or regions, and adopted a "devil take the hindmost" attitude to other divisions.

Inevitably, this led to the emergence of the "we-they" syndrome between divisions and the corporate office. Gamesmanship and one-upmanship became the prevalent and desired skills in such relationships, often at the cost of the overall organisational interest. The other problem, of course, related to the creation of managerial caste distinctions between those belonging to the corporate office (who were considered elitist generals) and managers in the divisions (who were seen as lowly foot soldiers).

APOCRYPHAL STORY

The organisations and their management consultants soon realised that while they could fiddle around with the rectangular boxes in the organisational charts or proclaim a brand new strategy, such changes often did not produce the desired results. One wise management consultant compares this situation to a story — possibly apocryphal — attributed to President Truman. When General Eisenhower ('Ike') was elected his successor, journalists asked Truman whether he had any message for Ike. Truman initially disclaimed his ability to advise Ike. But later, changing his mind, he said: "Ike will become the president of the United States and make decisions thinking that he is the most powerful man in the world. When he was the supreme commander of the Allied Forces in Europe, his every wish was anticipated and acted upon. He may expect things to happen now on the same basis. But nothing will happen."

> *Organisational change must be seen as positive and beneficial by the people in the organisation as well as non-threatening in terms of their own situations*

This anecdote parallels what happens in the corporate world. After all the strategic, structural and systematic changes, managements expect lots of things to happen. But, in reality, nothing much happens. In some cases, the situation actually worsens and gets explained away as transitional change.

After much soul-searching, McKinsey and its many admirers in the management field have come to the conclusion that strategy, structure and systems are the three hard 'Ss'. But they become effective only if the values and beliefs of the people in the organisation also change. People have to accept the changes introduced and develop their skills and capabilities to bring about the desired results. Thus, the effectiveness of organisational change also relates to four other factors — the four 'Ss' identified by McKinsey's research team — superordinate goal (qualitative objectives which provide the organisation's raison *d'etre* much beyond profit, return on investment or sales growth), staff (the personnel and their motivation and commitment), style (what the organisation's management does rather than what it says), and skills (what the organisation does best representing its unique organisational capability). The link between the three hard 'Ss', which can be legislated, is seen to be different from the four soft 'Ss', which are susceptible only to influencing (rather than fiats).

CHANGE DETERMINANTS

In India, managements have begun to realise that the internal process of change, measured by the quality of the four 'Ss', really determines the effectiveness of organisational change. It is, therefore, a great tragedy that management consultants who have "read" the textbooks on organisational structure jump into the fray by recommending changes without any understanding about the internal organisational process which determines the effectiveness of the change.

Several such changes introduced by consultants in large and successful, family managed businesses have resulted in great organisational turbulence and terrible disarray for the simple reason that mechanical structural change prescriptions are based on the virtues of profit centres or the merits of decentralisation. They lack any understanding of the internal process requirements or insights about organisational values, styles, beliefs and conventions which have been responsible for organisational affinity and coherence in the past and generated excellent results. Such quackery is often adorned with glib management jargon and, worse still, a mindless belief in the virtues of profit centres and decentralisation without any attempt at distilling the required understanding of the organisational context before recommending the structural changes.

Many such organisations, including professionally managed ones, are learning that organisational transition must respond to the learning curve requirements, by sequencing them in predetermined phases of "bearable" organisational changes and the upliftment of capabilities and skills of people in the organisation to activate and administer the new organisational structure and system mechanisms.

Most importantly, the change must be seen as positive and beneficial by the people in the organisation as well as non-threatening in terms of their own situations, before it can be effectively implemented.

■ *S.K. Bhattacharyya*

The author is a Bombay-based management consultant.

THE UNIT THRUST

Business is booming and the future is bright.

In many ways it has been a galloping success. The Unit Trust of India (UTI) which for the first time crossed the Rs 1,000 crore mark in sales of units under all schemes in 1986-87, has done one better in 1987-88: it has broken the Rs 2,000 crore barrier. "We are racing ahead," says UTI chairman M.J. Pherwani.

Pherwani has reason enough to be satisfied with the performance of UTI as it approaches its silver jubilee. "We are constantly on the lookout for new schemes," he says. "And we are ever trying to improve our existing services."

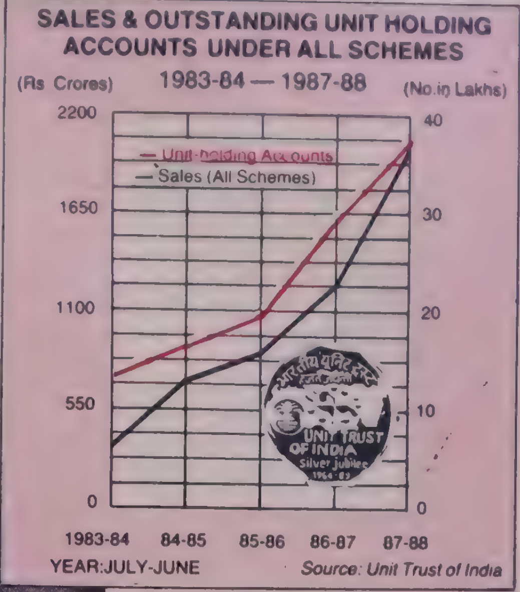
The figures speak for themselves. For the main scheme — Unit Scheme 1964 — UTI has raised the rate of dividend from 16% to 16.5%. This is the ninth successive year that the dividend has been hiked.

Aside from notching up sales of Rs 2,015 crores, an increase of 60%, the total investible funds rose from Rs 4,564 crores to Rs 6,680 crores. In tandem, gross income went up from Rs 525 crores to Rs 832 crores, a 57% jump. This is only a foretaste of the future. "We are reserving major efforts to reward our unit-holders in a bigger way," says Pherwani. The silver jubilee largesse could even include a bonus issue of units.

After the success of the India Fund, floated along with Merrill Lynch, UTI has set its sights on a similar fund in the US. "We are exploring the prospects," says Pherwani.

Nullified gains. But the India Fund has sprung an unexpected leak. On paper, the net asset value (NAV) has appreciated 37.3%. On the London Stock Exchange, however, it is being quoted at 103 pence (par value 100p). *The Financial Times* NAV is also 103.20p. The reason: the rupee has depreciated against the pound to such an extent that the paper gains in India have been all but nullified. "The investors are not losing heart," counters Pherwani. "They are not interested in short-term gains. They have put in their money considering future prospects." But the poor track record of the India Fund could well be a disincentive for investors in similar such ventures floated by the UTI if the rupee continues its plunge.

Pherwani, however, feels that the economy has ridden out its travails. "It has maintained a positive growth momentum and industrial production has remained high despite the impact of the drought," he says. Additionally, the "pragmatic package of measures" announced by fomer finance minister N.D. Tiwari is expected to considerably boost stockmarket sentiment.


SALES & OUTSTANDING UNIT HOLDING ACCOUNTS UNDER ALL SCHEMES

1983-84 — 1987-88

Source: Unit Trust of India

PHERWANI: RACING AHEAD

The stockmarket, it is true, is on the mend. But the same does not appear to hold for the market's perception of the UTI's Mastershare. For a long time it hovered around below par. Even now, though the official NAV has gone up to Rs 14.26 (as on 29 June), the Bombay Stock Exchange quotation is only Rs 11.50.

No dramatic swings. Pherwani sees no reason to step in to boost the value of the Mastershare. "We are operating in more than 100 scrips; and we have to be very careful to farm out our sales and purchases so that there are no dramatic swings," he says. "The Mastershare will find its own value. There is no reason to support it."

But all UTI's other ventures are going great-guns. The two monthly income unit schemes introduced during 1987-88 have come up trumps netting Rs 250 crores and Rs 268 crores apiece. The Parents' Gift and Growth Fund has also been well received. "There is a growing demand for such specialist schemes," says Pherwani.

To retain its pride of place UTI, has been taking a financial stake in the new financial institutions and organisations. During 1987-88 it has put in capital in Infrastructure Leasing and Financial Services, Discount and Finance House of India, Credit Rating Information Services of India, Stock Holding Corporation of India and Can Fin Homes.

All these promise to be big players very soon. But the Unit Trust seems all set to remain leader of the pack.

■ *Parthasarathi Swami*

EXCEPTION TO THE RULE

A regimented approach has worked wonders for a state unit.

For a state-owned civil construction outfit, it is unique. The Karnataka Land Army Corporation Ltd. (KLAC), unlike the others of its public sector breed, has over the years built up both image and size.

Although a government enterprise, state investment is minimal and, unlike the public works department (PWD), it receives no budgetary support. Work executed is based on actual costs and if the corporation's charges are reasonable it is because KLAC does not employ private contractors: with a staff of 1,200 — 800 of them engineers — KLAC is well equipped to take on construction projects on its own.

What's more, if the engineer or whoever is in charge turns out a shoddy piece of work, the defective structure is dismantled and rebuilt by the corporation at its cost which is subsequently recovered from the employee's pay. If he repeats this or is otherwise found delinquent, he may get the sack. Some have.

Not surprisingly, KLAC has won many admirers but it is not lacking in foes. The notoriously corrupt and laggard PWD for one. The department's engineers are not exactly overjoyed with the rapid strides KLAC has been making, and some of them, even when on deputation to other state departments or agencies such as the housing board, have been known to show a marked reluctance to hand over projects to KLAC.

Strengthening nexus. This is perhaps because they are afraid of losing kickbacks from private contractors who are only too willing to please. In recent times the nexus between the PWD and contractors has, if anything, strengthened with powerful contractors getting themselves elected to local government bodies like the zilla parishad.

KLAC's chairman and managing director G.M.S. Mallappa, a shade vain about his achievements, does not hide his disgust with the ways of the PWD: he had once publicly labelled the department as "enemy number one." But then Mallappa has reason to be caustic and the performance of KLAC under his stewardship for the past six years speaks for itself.

When he took over, KLAC's activities were confined to executing minor earthworks in the countryside and turnover was modest. Under him, the corporation has branched off into construction of low-cost houses, multi-storeyed complexes, factories, godowns, bus stations and bridges. Besides, KLAC has become actively involved in construction work relating to development of sericulture, horticulture, dairy and fisheries in the state. Putting his army experience to good use, Mallappa has restructured KLAC, turning it into a fit and flexible outfit which delivers the goods on time and often at a fraction of the cost quoted by the private contractors. Accounting systems have been simplified and discipline is strictly enforced. Wearing uniforms — KLAC has its own — is mandatory.

> *Malappa has restructured KLAC, turning it into a fit and flexible outfit which delivers the goods on time*

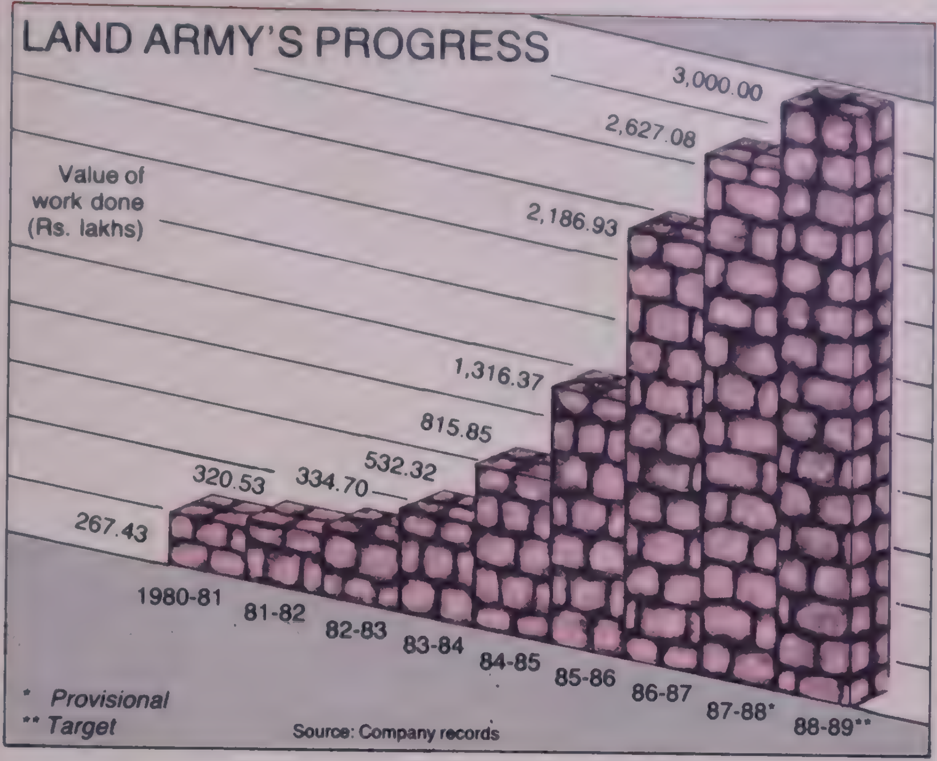
G M S MALAPPA

MALAPPA: GOOD STEWARDSHIP

The corporation's main clients are the state government, civic bodies and semi-governmental organisations. As a policy, KLAC does no work for the private sector or for individuals.

Job opportunities. One of KLAC's prime objectives is to provide job opportunities to the rural unemployed and underemployed. Though it offers no direct training, in the very process of involving themselves in KLAC's construction work, untrained rural youth pick up skills like masonry and become self-employed.

Incidentally, KLAC was started in 1969 as a government directorate by the then finance minister (now chief minister) Ramakrishna Hegde and became an autonomous corporation in 1974. But the corporation has come



Source: Company records

into its own only after Mallappa took charge in 1983.

In the financial year ended March 1988, KLAC has excelled itself. Value of work executed has climbed to Rs 26.27 crores from Rs 21.87 crores the previous year. Net profit has similarly risen from Rs 9.31 lakhs to Rs 19.72 lakhs. Assets added during the year amounted to Rs 29.16 lakhs, taking the total value of fixed assets to Rs 2.19 crores. The corporation has announced a dividend of 20% (Rs 5 lakhs) and a 16.67% bonus to all its employees.

A highlight of the performance during 1987-88 was construction of 25,000 houses for the rural poor at the phenomenal rate of 70 houses a day. In an effort to cut costs without affecting quality, KLAC has started using fibre glass reinforced plastic doors, sanitary pans and cold-rolled steel doors and window panes, all fabricated at its own workshop.

According to Mallappa, the Karnataka government has entrusted KLAC with projects worth Rs 45 crores for 1988-89, including the construction of an extension to the NGEF factory at Bangalore. If the value of on-going work is also taken into account, KLAC is not exactly starved of things to do. But Mallappa would not like to bite more than he can chew: he has pegged his turnover target for the current year at a modest Rs 30 crores.

KLAC's performance has drawn encomiums from all over and some states are thinking of setting up similar organisations. While Mallappa is proud, even boastful, of his achievements, he has one complaint: the flow of funds from the state government for projects, both on-going and completed, is erratic. For the PWD with its regular budgetary allocations and easy ways this does not matter: its employees get paid anyway, work or no work. But for the self-supporting KLAC it can — and does — make a lot of difference.

■ *N. Raghavan*

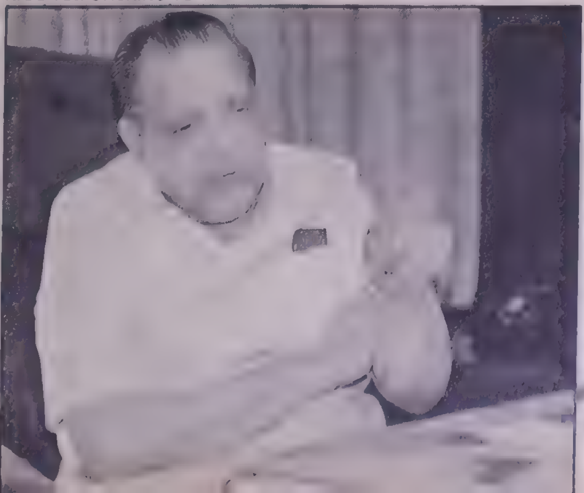
CONFIDENT WIREMAKER

Shalimar Wires is consolidating its existing lines of business.

For the Calcutta-based industrialist S.N. Khaitan, it is a case of business beginning afresh at 50 — Rs 50 crores, that is. With the total turnover of his five companies crossing the half-century mark this year, Khaitan has formally brought them together under the banner of a single group. And to lend 'immortality' to its founder, this new business house has been christened the Satya group, picking up Khaitan's first name.

Coincidentally, the Satya group's flagship company SWIL Ltd. (formerly Shalimar Wires & Industries Ltd.) completed its silver jubilee this year with a "record performance": sales of Rs. 20.4 crores and gross profits of Rs. 2 crores. The group's smaller companies have a mixed track record. While Pamwi Speciality & Tissue Papers Ltd. in Himachal Pradesh and Anil Steel & Industries Ltd., Jaipur, are making reasonable — if unspectacular — profits, the Alwar-based capsules and basic drugs manufacturer Sunil Synchem Ltd. has turned sick. Khaitan is, however, confident of doubling his group's turnover in three years: "We have new horizons and bigger challenges before us and are ready to face the future with confidence."

KHAITAN: STICKING TO THE KNITTING



Self-made entrepreneur. A lot of this confidence doubtless stems from lessons learnt during his 47-year business career. The quintessential self-made entrepreneur, Khaitan has weathered many a storm over the years. He began work at 19 in Dick Whittington style with the proverbial Rs. 100 in his pocket. By 1955, he had set up his first steel wires factory at Howrah.

Today, his group is a market leader in metal wire cloth, synthetic forming fabric and dandy rolls — each an essential raw material in the paper manufacturing process. A Rs. 4 crore modernisation programme is currently afoot at SWIL's Uttarpara (near Calcutta) plant to produce fabrics in double and triple layers. Tammet OY, Helsinki, is providing the technical knowhow.

Khaitan says that now he would rather concentrate on consolidating production in existing lines. Expansion will be restricted to essentials, and unrelated diversification is ruled out. In other words, the basic idea is to stick to the knitting while keeping the window open for technological upgradation. "Today's hi-tech is somewhat risky because it is fast getting obsolete. But tomorrow's hi-tech will have a 20-year life cycle. That is what we must aim for," says Khaitan.

Strong views. The matter of technology apart, Khaitan has strong views on how to go about other aspects of his business. For instance, growth by acquisitions is taboo ("I believe in running companies of my own creation and not secondhand ones"). Product lines must fulfil a felt market need, like being import substitution items, for example. "I also believe in having clear ownership control," he adds. And he takes his benevolent patriarch's role seriously: once a year, he spends a day with workers in an open house where all are welcome to speak their minds freely.

Khaitan candidly admits that in forming the Satya group he actually has an eye on retirement when he reaches 70, just four years away. A tentative beginning has been made to centralise investment and employment decisions and standardise corporate and financial policies. Once every three months, his five sons along with unit chief executives have begun to meet to review the group's past quarter's performance and fix targets for the next one.

Eldest son Anil chairs these meetings; the founder is available for consultation but does not attend. All the same, his three-point mandate stands clearly defined: discipline, productivity and quality. The patriarch's characteristic final bit of advice to his sons and managers: "Don't cheat customers and never tell lies." Clearly, the Satya group will have more than just its name to live up to.

■ *Sujoy Gupta*

THE ELECTRONIC DIVIDE

Southern electronics manufacturers have clubbed together.

There had to be a schism sooner or later. In a highly competitive environment, with countless companies struggling to stay alive, it was inevitable that companies with common interests would gang up to make themselves heard. Thus, the three leading consumer electronic goods manufacturers in South India have flagged off a new body — the Confederation of All-India Television, Audio and Video Industries (Catavi).

Locational advantage. But what prompted names like BPL-India Ltd. (and BPL-Sanyo), Dynavision (makers of Dyanora TVs) and Hi-Beam Electronics (makers of Solidaire TVs) to take this step, especially when associations such as the Indian Television Manufacturers Association (ITMA) and the Electronic Component Manufacturers Association (Elcina) already exist? The insinuation is that ITMA, for instance, is dominated by manufacturers located in and around Delhi who have an automatic locational advantage in this tightly regulated industry. Manufacturers located far away from Delhi find it difficult and time-consuming to get quick decisions from the powers-that-be. "We (in the South) need more attention. The government should hear us," says A.N. Srinivasa Rao, president of Catavi and chairman of the Solidaire group of companies.

RAO: THE SOUTH IS NEGLECTED

However, Catavi officials are reluctant to admit that they have broken away from ITMA or Elcina. But they readily disclose that their problems have not been perceived and acted upon by these associations. In support of their stand they cite instances where the south has been ignored. A major complaint: some of the essential components needed for the TV industry, such as picture tubes manufactured either by private manufacturers or government organisations, are not being distributed equitably among all the TV manufacturers in the country. Says Rao,"The demand for colour TV tubes is fantastic but we are not getting enough tubes to keep the factory going. The people in Delhi are somehow able to manage."

Unhappy trend. The south-based TV manufacturers are also unhappy about the current trend in the matter o low power transmitters (LPTs) According to Rao, most of the new LPTs are in the north or the north west. Even the Kodaikanal link i Tamil Nadu "took us a lot of time an pressure. Even now; the Tamil Nad link is not complete," he complains Yet another aspect which raises th ire of the southern manufacturers i the fact that the Delhi-based firm tend to get vital information earlie Even in the matter of import polic "they (the government) call five pe ple from Delhi and take a decisio the south is hardly involved, it is ne lected," charges Rao.

Till now, the south-based electr nic goods manufacturers have lost o in the lobbying game. Can Cata catch the Centre's eye?

■ *Chandu Nair*

TRIBENI TISSUES TURNS OVER A NEW LEAF

TRIBENI TISSUES

THE TRIBENI TISSUES HEAD OFFICE IN CALCUTTA

From chrysalis to butterfly. That's the kind of dramatic transformation being talked about at the low profile Tribeni Tissues these days. This fortnight, a brand new eager-beaver management team — representing the ambitions and aspirations of new overseas parent Batco — takes charge in Tribeni House, Calcutta. Chairman K.L. Chugh and managing director R.P. Agrawal have a clear mandate: to set the adrenalin flowing.

Chugh, of course, scarcely needs introduction. As the architect of Bhadrachalam Paperboards' quick emergence as an acknowledged leader in India's limping paper industry, he has earned star billings already. (Since 1983, Bhadrachalam has been consistently sweeping the table clean of all national productivity awards.) Agrawal has worked closely with him for the last eight years (see box 'Ringing in the new,' p.22), skilfully overseeing the finance, mill operations and business development portfolios. By handpicking this go-getting duo to head Tribeni, principal shareholder Batco has in effect stated its expectations: that this newest company in its stable must gallop and not canter.

But to be fair, Tribeni Tissues' recent stagnation in the Rs 35-40 crore turnover range has been due to external hindrances rather than inhouse incompetence. Owing largely to pricing complexities, the national cigarette market size has shrunk in the last couple of years from 96 billion sticks smoked per annum to only 78 billion.

Naturally, the offtake of cigarette tissue — Tribeni's bread and butter product — has declined correspondingly. Countering this trend is easier said than done for a company which is 51% owned by foreigners. Points out retiring chairman and managing director N.G. Choudhury: "The Foreign Exchange Regulation Act (Fera) severely limits our diversification options."

Nonetheless, Tribeni Tissues is still the market leader in the field of speciality paper. Cigarette tissue apart, its 40-year old plant at Tribeni (near Calcutta) rolls out a multitude of speciality items ranging from automotive filter base paper to MICR cheque paper to airmail tissue. Along with an established market leadership, the company is pretty strong on speciality paper technology too. Chugh acknowledges this, and hints that his initial priorities will lie in upping production efficiencies and fine tuning the product-mix: "Knowledge of fine paper technology abounds at Tribeni

THE TRIBENI FACTORY: A VIEW

RINGING IN THE NEW

AGRAWAL: TAKING CHARGE

On 1 August — barring unforeseen circumstances, as circumspect company directors are wont to say — Krishan Lal Chugh (50) is set to take charge of his second chairmanship in five months. In March, Chugh became chairman of VST Industries (formerly Vazir Sultan Tobacco). This time, he steps in as chairman of the Calcutta-based Tribeni Tissues Ltd.

This latest stripe should come as no surprise to those who know him. Chugh is acknowledgedly one of the most forthright and capable professionals today in India's sickness-bedevilled paper industry. As managing director of the Hyderabad-headquartered ITC affiliate Bhadrachalam Paperboards Ltd. (BPL) since 1979, Chugh has impresarioed a fine track record for the company. Among other things, BPL has been recurringly winning national awards for record productivity since 1983.

Predictably, BPL has been catapulted to the status of industry leader notwithstanding its being a Johnny-come-lately in the paper scene. With this has come wider recognition of Chugh's leadership talents, too. He has already served as chairman of the Indian Paper Makers Association.

Incidentally, like N.G. Choudhury, Chugh also began his career in the public sector. Armed with a mechanical engineering degree from Delhi, he had originally joined Heavy Engineering Corporation, Ranchi, in 1962. After sticking it out for nine years, Chugh took what has turned out to be a momentous decision. He joined ITC. Later, in 1976, he moved over to the then fledgling BPL as a nondescript technical manager.

Rapid rise. Since then, he has shinnied up ITC's corporate ladder with great alacrity. First, in less than three years, he landed the managing director's job at BPL. Then in 1981, Chugh was appointed to the ITC board, thereby creating a record of becoming a director — albeit a non-executive one — within only 10 years of joining ITC. And now in quick succession come the top posts in ITC's cousin companies VST Industries and Tribeni Tissues. Not bad going at all!

For now, Chugh will be a frequent commuter between Hyderabad and Calcutta, where he will have both ITC and Tribeni board meetings to attend. As chairman of the latter company, he will doubtless strive to pass on some of the beneficial lessons in resource productivity, energy management and innovative cost control learnt at BPL. Says Chugh by way of an initial assessment of his new charge: "Knowledge of fine paper technology abounds at Tribeni. What this company now needs are productivity and marketing thrusts."

But who will help him impart these thrusts and actually run the Tribeni show? Chugh will have on hand in Tribeni House, Calcutta, his trusted lieutenant and former colleague at BPL, R.P. Agrawal (55). Also on 1 August, Agrawal — a chartered accountant with 32 years' experience in paper — is assuming the managing directorship of the company.

The two, Chugh and Agrawal, got on famously at Bhadrachalam. Since 1980, when Agrawal moved to BPL as a wholetime director after serving Ashok Jain's flagship Rohtas Industries Ltd. for 20-odd years, he has been in overall charge of Bhadrachalam's factory operations. The mill's legendary productivity is therefore Agrawal's handiwork — although Chugh as chief executive naturally shares a lot of the credit. Affirms Agrawal: "Krishan and I are tuned to the same wavelength."

And if they hit it off as well at Tribeni Tissues in the future as they have at BPL in the past, then there's nothing like it for the company!

What this company now needs are productivity and marketing thrusts."

An added marketplace advantage is that although recent years have witnessed the birth of a competitive element in the speciality paper sector, Tribeni is still a long haul ahead of its competitors. Besides, competition is fragmented. Pamwi (cigarette tissue), Ballarpur (carbon tissue, and copier, bond and MICR paper) and Pudumjee (security paper) are Tribeni's main business rivals. Notes Agrawal: "Only Tribeni possesses total speciality paper technology. Besides, its product superiority is an accepted reality."

Right now, exogenous aspects like selling its products in the marketplace are not worrying the company's chief executive-designate too much. Rather, Agrawal with his quintessential hands-on approach is likely to concentrate, in nuts and bolts fashion, on toning up production. The aim: to pare energy and other costs, up production efficiencies and raise resource productivity levels all round.

Predictably, its newly established BATCO connection already promises benefits for Tribeni. The company has just entered into a technical consultancy agreement with Bhadrachalam Paperboards, which immediately enables it to "take advantage of" the latter's experience in energy management, cost effectiveness innovations and productivity, says Agrawal. "No asset will remain underutilised," he promises.

Simultaneously, on the technology front, he says that "as and when any specific input is needed, the same will be available through Batco connections." Incidentally, no longer is Wiggins Teape the only speciality paper company in the BAT Industries group. Batco has recently acquired an interest in the US speciality paper company Appleton, and this "connection" might well prove useful to Tribeni.

But it is a moot point whether even the most useful of connections can be of any practical value to the company so long as the Fera constraints referred to earlier continue to shackle its options. The only alternative: to shed the Fera cocoon altogether.

Under the conservative Wiggins Teape dispensation, this was a strictly no-no option. In contrast, Batco is liberal in its attitude to ownership control. As the family tree (p.24) illustrates, it is quite happy with minority shareholdings in ITC and VST Industries, which are both Indian companies. (In fact, public sector financial institutions own more equity in ITC than Batco does — 34.2% vs. 32.8%).

The big question is: will Tribeni Tissues turn 'native'? Of all the several change-related uncertainties currently vexing the minds of company managers, this is perhaps the biggest one. Mindful of tradition (see box 'Ringing out the old'), Tribeni's benign corporate culture has been one of providing its personnel with a sense of security and comfort — both literally and otherwise. Things have been functioning as per a product-led orientation; in any case, it was a seller's market.

Today, the outlook is quite different: Choudhury is himself a convert, admitting the need "to give our product mix a new direction" and to "penetrate into the market with newer products backed by an aggressive promotional campaign." The catch is that no one in the company has actual experience in "aggressive" marketing — undoubtedly a serious lacuna in the competitive present-day business environment. The fallout: new product development has been all too slow.

An example is the proposed product-line extension into the manufacture of *bidi* paper. A staggering 800 billion *bidis* are estimated to be smoked in India annually. A *bidi* consists of tobacco rolled in a dried *kendu* leaf. Tribeni wants to promote the concept of a paper-rolled *bidi* or 'white *bidi*' which looks like a cigarette (aim: to give the downmarket smoker some ego satisfaction) but imparts a stronger kick (aim: to give him smoking satisfaction).

In theory, even a 1% switch from

RINGING OUT THE OLD

This fortnight, Tribeni Tissues' erudite chairman and managing director N.G. Choudhury (59) concludes his sterling nine-and-a-half-year knock as captain of the Tribeni team. Naturally, he leaves behind the impress of his multifaceted personality on the company's corporate culture. With sales hovering around the Rs 35-40 crores level, Tribeni Tissues is by no means a large company. Yet if its presence on the corporate scene looms larger than life, part of the credit undoubtedly goes to Choudhury.

A company secretary by professional qualification — and an MBA and doctorate holder from Century University (California) to boot — Choudhury joined Tribeni only in 1970 after serving out a sum total of 16 years in the public sector with Indian Airlines and Durgapur Chemicals Ltd. His career progression since was steady: wholetime director (1975), managing director (1979) and chairman (1985).

Under his stewardship, the company made good money too. During the eighties, pre-tax return on sales has been a handsome 9% on an average — no mean performance given the vagaries of the cigarette market during this time.

Tribeni Tissues has gained a well-deserved niche as one of the more respected companies in Calcutta on another count. Thanks largely to Choudhury, the company has emerged as a generous sponsor of enlightened cultural activities, thereby earning for itself a corporate image of elegance and sophistication.

For instance, in 1983, Tribeni produced a 'Shakespeare and the Artist' calendar and book, in researching which a rare set of forgotten Shakespeareana by way of etchings and paintings was uncovered in the Ashutosh Collection of the National Library. These are now on display as permanent exhibits.

Awareness of traditions. Later, the interest generated among the city's dilettantes led Tribeni Tissues to cosponsor the Shakespeare Society of Eastern India jointly with the British Council. The aim of this society,

Monuments of Faith

PUBLICATIONS SPONSORED BY TRIBENI TISSUES

of which Choudhury is the patron, is to aid, popularise and promote Shakespeare studies. A couple of years ago, Tribeni also produced a book titled *Echoes* on old Calcutta monuments. "Basically, our sponsorships reflect our awareness of the value of tradition," explains Choudhury.

He adds that this is in tune with his belief in the tenet of conservatism. "Our strengths flow from this," he asserts, counting among them a 'high in liquidity, low on borrowings' financial status, continued market leadership in its product lines and a motivated team of professionals.

As far as Tribeni Tissues' weaknesses are concerned, Choudhury cites lack of steady growth opportunities in the paper industry and Fera constraints on diversification as the major ones. (Till date, the company is 51% owned by BAT Industries, UK). Nonetheless, he sees a bright future provided "productivity is optimised and new product lines in the speciality paper range are developed."

Right now, a busy retirement awaits Choudhury in his new career as corporate advisor, consultant, lecturer and author. By early 1989, he hopes to finish his second book, titled *Practice of Corporate Management*.

And should he still have spare time, Tagore afficionado Choudhury proposes to pursue his hobby of public recitations of the poet's works.

TAKEOVER CAPERS

For the last couple of years, Tribeni Tissues has been playing the unlikely role of a bashful maiden wooed by many suitors. Ever since its overseas parent Wiggins Teape decided in early 1986 to sell off this Indian subsidiary, there was no dearth of dashing aspirants eager to call Tribeni their own.

The serious contenders included both well-known names (Singhania, Chhabria) and not so familiar ones (Jatia of Pudumjee Paper, Karnani of the *Free Press Journal*, non-residents Nathu Ram 'Nat' Puri and Krishna Pathak).

It is easy to see why this diverse clutch of hardnosed businessmen were prepared to fork out up to £9 million (Rs 22 crores) for a 51% stake in Tribeni Tissues. The company has all the necessary characteristics of a plum ripe for the plucking: market leadership in its product lines, an impeccable corporate image, valuable fixed assets carried at book value, cash-rich bank balances, minimal borrowings and a professional management team. Reasons a senior Tribeni manager: "I suppose any industrialist bagging Tribeni Tissues would have immediately upped his standing in the business world."

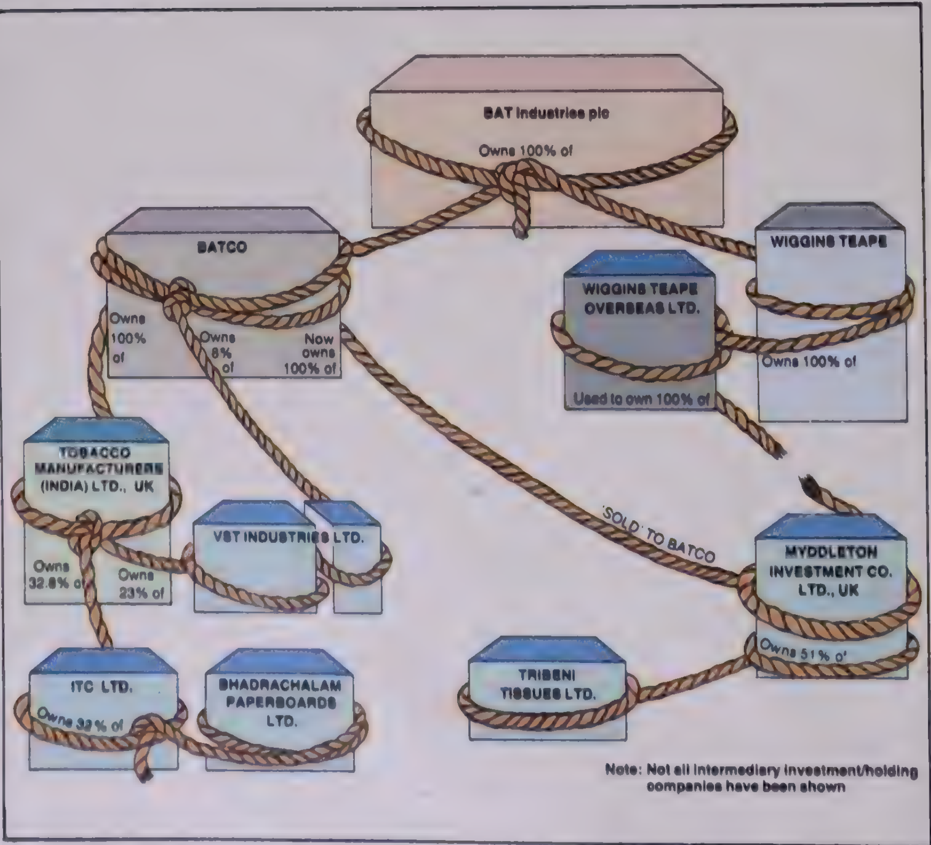
Bitter bargaining. However, Wiggins Teape proved to be equally hardnosed, driving bargains bitter enough to fell quite a few contenders by the wayside. Also, they insisted on prior Reserve Bank clearance. Ultimately, only Krishna Pathak came close to the target.

As recently as February this year, he sat at the negotiating table with Wiggins' directors armed with a provisional green signal from RBI — but his revised and scaled down offer of £6.5 million was rejected.

Instead, Wiggins decided to transfer the company to its sister concern Batco. Both belong to the BAT Industries plc group. Recently, Batco has diversified into paper by acquiring an interest in Appleton of the US. In this context the argument ran that adding Tribeni to its stable makes eminent sense.

The formal 'change' of management in Tribeni Tissues by bringing in Batco nominees on the board (Norman Davis, K.L. Chugh and R.P. Agrawal) and retiring Wiggins' Martin Grose and N.G. Choudhury, is effective from 1 August 1988. And with Tribeni's marriage now about to be consummated, its host of disappointed suitors can do little else but despair.

THE BAT FAMILY



Note: Not all intermediary investment/holding companies have been shown

traditional to white *bidis* will open up an additional 8 billion sticks per annum market dependent on Tribeni's special tissue. So far the company, notwithstanding its brawn, has failed to capitalise on this opportunity.

But the winds of change which have begun to blow promise to change all this. Chugh says Tribeni will change its tack and adopt an increasingly market-led orientation. Response times to market needs will be clipped. Agrawal calls it "more perceptive marketing." Along with this, he says, the imperatives of the day are "cost effective production and higher productivity." Reasons Agrawal "If these are achieved and are coupled with the existing plus points of product and technological superiority, the future of the company stands ensured."

Stiff targets. Brave hopes. Left unsaid is the indispensable condition of keeping the bounce in the bottomline intact. All, doubtless, circumscribed by the likelihood of Batco being in a hurry to catch a glimpse of the rainbow. A double shot of adrenalin is what Tribeni really needs to get some punch and vim into its arteries. And right now, it seems to be getting exactly what it needs.

■ *Sujoy Gupta*

INBUILT OPPOSITION

In examining the Indian political scene it is all too easy to overlook the difference between what the textbook recommends and the reality to which it is supposed to apply. For example, we are often told that unless the "democratic functioning" of the Congress legislature party is restored to enable the rank and file to freely elect their leaders, the organisation cannot achieve the revitalisation it so desperately needs. The nomination of the chief minister by the centre, which is subsequently and dutifully endorsed by the legislature party, has allegedly reduced the party's "internal democracy" to a farce.

Yet the reality is surely very different. Largely because of the ineptitude of the opposition, but also for reasons inherent in Indian politics, the Congress has always provided its own opposition; and this has been further reinforced by the fact that the majority of those in the official opposition are ex-Congressmen. In effect, then, we have the national spectacle of a party which is perpetually in conflict with itself.

The textbook supposes that this conflict relates to matters of policy, ideology and principle. But again the reality is different. For between the Congressman who is in office and the one who is not, there is no sense of a shared identity. There is, instead, a competitive appetite for power and office, with the one resorting to every ploy in the book to cling to office and the other doing the same to topple him. The recent situations in Maharashtra, Gujarat and Uttar Pradesh were classic examples of this Congress tradition. As things are today, granting a legislature party the freedom to elect its own leader is a sure recipe for disaster. It is the equivalent of granting a licence to a faction which has nothing to recommend it other than its skills in infighting. It is easy then, against the background of the latest "reshuffle," to speak derisively about chief ministers being shunted to and fro between the centre and the states; of the centre being reduced to a dustbin for discarded leaders from the states, and the constant game of musical chairs that is being played. But since Nehru's days the reality has steadily emerged that every Congressman who is not in office is in varying degrees a member of the unofficial Congress opposition. Seen in this light the recent changes in Maharashtra and Uttar Pradesh and at the centre are surely a reflection of Rajiv Gandhi's coming to terms with the party as it is.

There is nothing in the changes that echoes the bold sentiments with which Rajiv Gandhi spoke of "power brokers" during the Bombay centenary celebrations. There is nothing in them that suggests the style with which he coped with Pranab Mukherjee or Ghani Khan Choudhury in the past. Instead we have a scrupulous regard for everyone's susceptibilities, an exercise which cosily accommodates all and drops no one. This can be seen from another angle as the triumph of the party over the leadership. Yet the more accepted theory is that the centre is an unfeeling, ruthless, autocratic leader which imposes its decisions on a very unhappy, frustrated legislature party with no choice but to accept a nominated chief minister.

That is what the textbook tells us is the right attitude to take in the given circumstances. But if we refer to reality, the picture we get is entirely different. It is of chief ministers and dissidents happily "airdashing" to New Delhi to lay their complaints and demands at the feet of the high command to whom they loudly proclaim their "loyalty." There is in such activity little to suggest that the members of the legislature party are labouring under a deep sense of grievance or that they are not enjoying this game of high level politicking.

The "vitality" this generates is far closer to the true spirit of Indian politics than the relatively tame procedure of a free vote which the textbook recommends and which is so glibly quoted by the centre's critics.

Many reasons have been adduced for the to-and-fro movement of people from the states to the centre and the other way round. Among them is the view that they are a panic reaction to the byelections, particularly the Allahabad one, and to the "exposures" in the Bofors affair. This surely is ridiculous. Long before the elections there were compelling reasons enough in Maharashtra and Uttar Pradesh for a change of leadership. Nor are the changes in any conceivable way an answer to the Bofors issue. Both underlying and overriding all this is the point that in the run-up to the elections in 18 months or earlier, Rajiv Gandhi needs to place the right people in the right place without creating new centres of dissidence.

The Congress has always provided its own opposition, reinforced by the fact that the majority in the official opposition are ex-Congressmen

Much has been made of the fact that the reshuffle is the 24th since 1984. Yet it is surely no more than a reflection of his relentless and fruitless pursuit of answers that have so far eluded him. The sudden switch to "accommodating" the seemingly discarded, signals a temporary truce between Rajiv Gandhi and the political machine in a struggle in which textbook "democracy" has little place. Those who call on him to "restructure" the party must surely realise that the power to do this derives from the very party that needs to be transformed.

Indira Gandhi sought an alternative source of authority outside the party by declaring an emergency, but failed. Rajiv Gandhi faces the same dilemma, except that it is more intensified. What his remedy will be is anyone's guess, but "internal democracy" hardly seems the answer to his or the party's problems.

■ *N.J. Nanporia*

The author is the former editor of The Statesman *and* The Times of India

VOCAL EXCHANGES

Telecommunications in India is potentially a huge market: it will be worth all of Rs. 50,000 crores by 2000 AD. The players in the game fall broadly into two categories. First are the companies which have chosen C-DoT's DSS technology for exchanges with a range going up to 20,000 lines. Second are the large number of Indian companies which have chosen to enter into technology transfer agreements with three international telecom companies: Jeumont Schneider of France, General Telephones & Electronics (GTE) of Belgium and Oki of Japan

Until 1984, the electronic private automatic branch exchange (Epabx) system was practically unheard of in the media. But recently, there has been a veritable flood of ads on Epabx systems. So much so, the barrage of hi-tech benefits being pounded into public awareness is sufficient cause for confusion. As with most campaigns dealing with the delivery of intangible gains, ads for Epabx systems tend to present futuristic visions coupled with an overdose of jargon. This leads one to ask: at whom are these blue sky, push-button campaigns directed? Is the ultimate user of the Epabx, the much-bullied telephone operator, the target? Or is it the ordinary office-based intercom user? Or is it the chairman of the company, who decides the allocation of the budget?

Or is it simply a case of flashing lot of technical hyperbole adapted from the glossy promotional literature of the foreign partners, in the faint hope that somebody, somewhere, who decides on such matters for an entire organisation, will obligingly take notice — and follow up with an order? If this is the case, then Epabx ads are really an instance of floating information — similar to gas balloons. But this is also a different arena. With numerous private sector companies venturing into the telecom sector, competition has arrived. It is necessary to use the latest marketing techniques to push products as aggressively as possible. Until recently, "productivity" was the magic word in organisations. Today, the equally electric word "connectivity" appears to be on the verge of replacing it, at least in the lexicon of office efficiency.

Until recently, "productivity" was the magic word. Today, the equally electric word is "connectivity"

Many of the private sector companies that have joined the Epabx movement are already recognised names in the fields of electronics, office automation or computers (such as Hindustan Brown Boveri, Uptron India, DCM Data Products and Wipro Information Technology Ltd.). This makes it somewhat easier for them to integrate their new marketing plans into the existing framework. After all, a consumer would invariably trust a pedigreed company in electronics or communications rather than an unknown.

Private companies are rushing into the telecom sector because there is a virtually bottomless demand for telephone connections. The government has generously licensed enormous Epabx production capacities. Consequently, the greater availability of such systems in the open market is expected to ease the demand for individual telephone lines, particularly in the business sector. The nature of Epabx systems, however, demands a redefinition of conventional product or service marketing concepts.

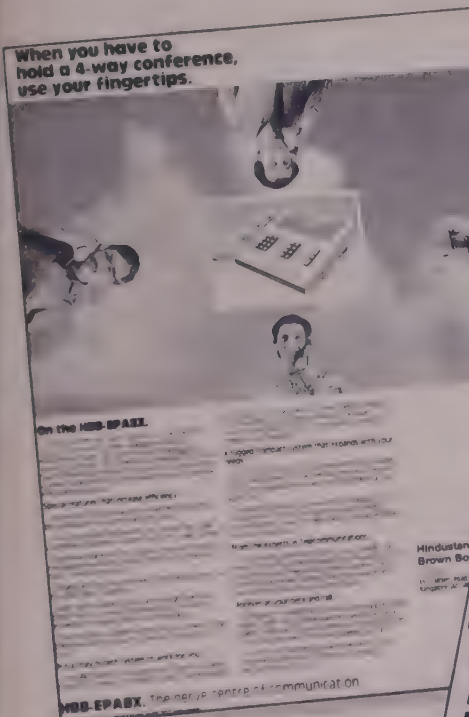
The Epabx manufacturer-vendor has to do a lot of technical spadework on behalf of its customers. It is not just a matter of one-time installation — a preliminary study has to be done, actual communication needs have to be assessed, hardware delivered, software appropriately designed, and most importantly, after-sales and maintenance services have to be organised. But the advantage that the latest technology provides to customers in the new breed of electronic exchanges is the lure that manufacturers are hoping to use as their prime marketing strategy. Unlike the earlier generation exchanges, the current ones are based on digital design and provide a large variety of connectivity conveniences at lower prices. It is this package of user benefits that serves as the medium for the Epabx message.

Hindustan Brown Boveri (HBB) is typical of the Epabx breed of companies which are travelling the C-DoT design route. The campaign is pitched at improving organisational efficiency through the HBB-Epabx, described in the baseline as "The nerve-centre of communication." The visual shows a variety of users (hotel receptionist, nurse, factory worker and secretary) against the backdrop of a blue sky and a picture of the compact device in the middle. There are several benefits that the copy talks about, highlighting just one as a sample: dual conferencing ("Just lift your receiver and you can confer with 3 other colleagues ... in fact, this system permits a second such 4-way conversation to proceed simultaneously!"). The connectivity of the product is, o course, emphasised: "It can be interfaced with your computer. Even connected with your facsimile. And shortly you'll be able to transfer data between your branch office all over the country on it."

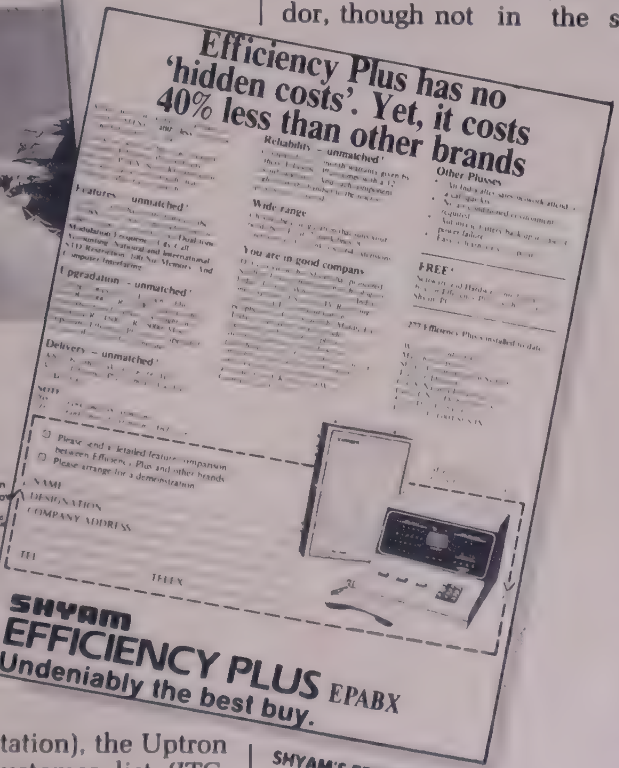
HBB's experience in related areas (micro-processo based-data acquisition, data transmission and telecommunication systems) is also highlighted in the copy There is a "countrywide sales and service network" fo support. The promise is that "When you have to doubl the efficiency of your organisation, use your fingertips. Though one may argue that a claim like this is hard t measure (what is "efficiency" and how does one kno when it has "doubled"?), it is probably just about the onl way to underscore the advantages of improved connecti ity.

An almost identical claim is put forward by other Epabx vendors. For example, W.S. Industries (India) Ltd. suggests that you will be able to "watch your organisational efficiency get better than ever before" with their product, the CODE-X electronic exchange, also built around the C-DoT design.

On the other hand, Uptron's product, the Telstar Epabx, is based on the technology of Jeumont Schneider of France. This is what the company uses as a platform for offering "high-tech solutions from 50 to 5,000 lines" (C-DoT technology has been proven for exchanges of 128 and 512 line capacities, but these are expected to go up to higher figures this year). The visual shows a number of telephone lines stretching out from the sleek Telstar console. Apart from the fairly standard Epabx features (abbreviated dialling: which enables users to make calls by dialling short two or three-digit codes; call consult: where an extension user on an established two-party call is allowed to hold the existing call and originate another call to a third party for private consultation), the Uptron advertising highlights the existing customer list (ITC, Godrej and so on) and the company's "turnkey responsibility spanning system configuration, interfacing and networking, cabling, installation and commissioning, through a nationwide network of trained customer engineers."


When you have to hold a 4-way conference, use your fingertips.
On the HBB-EPABX.
Hindustan Brown Bo
HBB-EPABX. The nerve centre of communication

HBB'S EPABX: A SQUARE DEAL



SHYAM'S EFFICIENCY PLUS: A COST MINUS OPTION

All this dovetails with Uptron's other interests in related areas like computers and television. With considerable experience in delivering Epabx systems (another Uptron ad is captioned: "With 20,000 lines already installed, Uptron's experience is way ahead!"), this is one company that could well go a long way in the telecom market.

But there are other contenders too. Blue Star Ltd. and Escorts Ltd. have also announced their entry into the Epabx business since 1985, when, along with Uptron, each of these companies selected Jeumont Schneider technology to manufacture exchanges of up to 50,000 lines each. The marketing capabilities of these companies have already been honed in other fields, and their combined efforts in the Epabx arena could well stand up to the challenge posed by C-DoT technology. However, in the future, pricing and after-sales service capability may well prove to be the decisive factors (rather than the origin of the technology).

With the price levels of most Epabx systems hovering at Rs 4,500 to Rs 5,000 per single line, the cost of a simple 50-line system works out to Rs 2.5 lakhs, which is no small investment for a small businessman. Multiply the effect for a larger organisation, and the investment in an Epabx system is huge.

But there are signs that the large number of competitors in the field are willing to offer economy as the clinching factor in their Epabx propositions. One such offer is fielded by Shyam Communication Systems in a product called the "Efficiency Plus" Epabx. As the caption puts it, "Efficiency Plus has no 'hidden costs.' Yet it costs 40% less than other brands." The copy enumerates a cost reduction factor of Rs. 1,000 to Rs. 1,500 per line. The vendor, though not in the same court as Uptron or HBB in terms of scope and scale, has nevertheless latched on to a marketing pitch which has not yet gained momentum.

For an increasing number of users the commonality of exciting features being promoted by dozens of me-too Epabx sellers will mean that their choice may well favour the lower-priced products. The phenomenon has already occurred in the market for personal computers, where price-cuts have produced purely price-based marketing strategies, and volumes have taken over as indices of market growth.

If the government's plan figures are any indication, then the telecom products market is surely going to be driven by volumes and price shake-outs. With C-DoT technology being offered at a fraction of the international rates, the chances are that Indian users will be increasingly looking at more and more low-cost electronic connectivity options, and less and less at the eye-popping electronic connectivity options, and less and less at the eye-popping lists of benefits that are currently being woven around Epabx systems. In the near future, however, the futuristic phone-in-the-sky will continue to be dangled in front of the awestruck switchboard operator.

■ *Gita Manian*

The author is a managing partner of Excalibur Advertising, Bombay

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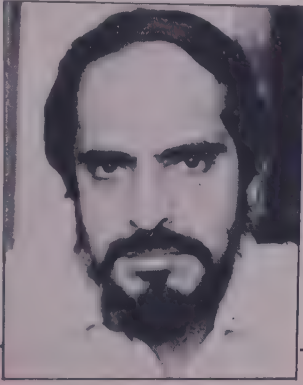
CORNERING THE BOX

The intrepid Bombay lawyer, Indira Jaising, has scored an important victory in the high court: Justice Sujata Manohar has ruled that the local station erred in not telecasting part of a TV interview it had conducted with her. In doing so, Justice Manohar — who, incidentally, also pronounced the verdict in another vital media case concerning the defamatory remarks in a film magazine about tinsel stars Shabana Azmi and Javed, among two others — stressed that the citizen had rights to the freedom of expression on the state-owned media as well.

Jaising had been interviewed in 1986 for a *Sach Ki Parchaian* episode about laws relating to women. In the process, the activist who heads the Lawyers Collective, passed some adverse comments on the Muslim Women (Protection of Divorce) Bill, which had raised a storm of controversy when it was introduced (leading to the resignation of Arif Mohammed Khan from the Union ministry). To her surprise, when the programme was telecast, her remarks relating to this piece of legislation were completely omitted.

Bombay Doordarshan tried to argue that the omission was due to the lack of time and, more significantly, that it was then being debated in parliament. Obviously, Doordarshan was sensitive to the furore that the bill had raised throughout the country and did not want to add fuel to the fire by telecasting Jaising's views. Of course, if true professionalism was the criterion, it would surely have made more sense to emphasise precisely this aspect because it was topical.



As the reach of TV spreads, there will be an increasing demand for credibility from viewers

According to Justice Manohar, the freedom to propagate one's views was integral to the right of free speech under Article 19 of the Constitution. Censorship would amount to a curtailment of this freedom. This puts Doordarshan in a different light altogether: if it is really a public medium, then people can demand the right to be represented on it. At the very least, this decision will serve as a precedent for others to fight against censorship.

Today, some professionals believe that it is better to avoid appearing on TV or radio altogether. The chances are — or were? — that the authorities will simply excise anything that is considered too "offensive." It is for this reason, for example, that Arun Shourie turned down a request by Vinod Dua to participate in his celebrated two-part Bofors series. Cooperating with the official media, such critics feel, lends legitimacy to them. However, as the poll analysis of Allahabad on Doordarshan shows, the authorities are probably realising, belatedly, that credibility is a crucial element if various prime ministerial pronouncements are to be taken seriously on the box.

As the reach of TV spreads, there will be an increasing demand for credibility from viewers — a demand which is paralleled, incidentally, by a call for greater slickness in programming from advertisers. There are now said to be around 14 million TV sets in the country. This is expected to rise to 18.5 million by 1990. Each set has an average of five viewers, which means that around 70 million can be watching an everyday programme. By contrast, the biggest English daily newspaper chains — *The Times of India* and *Indian Express* — each have a total readership of all editions of not much more than 2 million, assuming three readers per copy.

In the old days, TV simply did not possess this enormous reach, which is why the government virtually used it like a captive medium to publicise its non-existent achievements. This columnist can vividly recall, for instance, how Bombay Doordarshan simply banned a programme he made with producer Kunwar Sinha in the early seventies, without so much as a line of explanation.

I had been invited to make a half-hour programme on the environmental impact of Bombay's high-rise buildings on reclaimed land. It was a painstaking exercise — unlike writing for newspapers, one had to actually visit sites! Eventually, the programme was completed and ready but the station did not have the guts to telecast it in its original form. It invited the urban development minister, Rafiq Zakaria, to view it and then use the last couple of minutes to rebut any of the criticisms made by different interviewees.

Zakaria sternly informed the station authorities that no less a figure than Indira Gandhi would have to clear the programme, as she held the urban development portfolio at the centre. In fact, what was probably the deciding factor was the stringent criticism against the Backbay development scheme, where it is known that vast sums were raised for the Congress party. Not surprisingly, the programme was canned forever — probably the first such episode in Bombay.

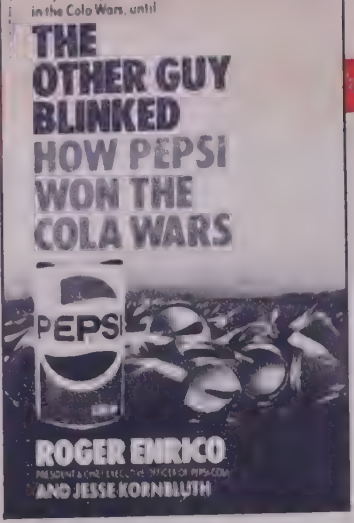
Now all that seems to have changed. In the recent judgement, Bombay Doordarshan actually offered, in meek submission, to telecast Jaising's views on the Muslim marriage bill whenever there was another programme on the subject. The likelihood of another telecast appears remote, but the point has been underlined: Doordarshan must not only be fair, but be seen to be fair.

One could argue that this legal precedent may prove counterproductive if Doordarshan prefers to play safe and simply not approach controversial figures in future. Against this danger, however, one will have to weigh the pressure on the medium from its new managers, who are likely to risk more in the attempt to gain credibility.

■ *Darryl D'Monte*

The author is a former editor of Indian Express, *Bombay*

$9 BILLION UNDERDOG



(By Roger Enrico and Jesse Kornbluth, Transworld Publishers Ltd., London, pp.280, £ 3.95)

Like miniskirts in the seventies, it has become fashionable among senior executives in megacorporations to challenge conventional management wisdom by narrating their home-spun folksy experiences in the form of a quasi-biographical episode. Though not in quite the same mould as Iacocca's prodigious bestseller, Roger Enrico (president and CEO of the major operating division of PepsiCo), in this anecdotal account, does provide the occasional marketing insight. In much the same vein as earlier efforts by his distinguished peers in extolling the virtues of the contemporary American business enterprise, Enrico's saga falls short of being a literary masterstroke. *The Other Guy Blinked: How Pepsi Won The Cola Wars* by Enrico and Kornbluth is hyperbolic, often banal and overly dependent on staccato one-liners reminiscent of tabloid prose.

Enrico offers a somewhat schizoid view of soft drink marketing. There is wicked Coca-Cola and virtuous Pepsi, the heroic underdog. Assuming underdog status for Pepsi, though vastly farfetched, is a good gimmick to boost bookstore sales. In 1986, both PepsiCo and Coca-Cola had an approximately equal sales volume of around $9 billion. Nevertheless, for a large part of its history, Pepsi was a me-too. Concocted by a despairing pharmacist 12 years after the launch of Coca-Cola in 1886, Pepsi was for long a derisory No.2 in the cola market and had the ignominy of going bankrupt twice.

The brand first gained momentum under the stewardship of Alfred Steele and later emerged as a genuine threat to Coke when Donald Kendall took charge as CEO in 1963. Kendall's most significant contribution consisted of opening a bottling plant in the Soviet Union with the blessings of Nikita Khrushchev. His vision of Pepsi's advertising concept proved to be another watershed in the brand's evolution. The "Pepsi generation" — fresh-faced, ardent, youthful types forever riding mobikes and surfboards and consuming oceans of Pepsi — turned out to be a classic advertising winner.

Daunting task. When Roger Enrico stepped in as CEO in 1983, he faced a daunting task. He had to top a huge success, often more ruinous than retrieving a grand failure (though Iacocca is likely to disagree). Supremely confident of his marketing skills, our hero sought to leave his imprint by turning topsy-turvy an established advertising campaign. Not the most fervent believer in market research, he suspected that "the Pepsi Challenge" (commercials showing regular soft-drinkers preferring Pepsi in taste tests) had gone stale. Instead, he went celebrity-mongering with a vengeance.

While the hackneyed idea did not exactly create a big splash, his recruitment of rock star Michael Jackson for the phenomenal sum of $5 million did. However, getting the eccentric Jackson to approve of the commercials for public exposure almost proved his Waterloo. At one stage, after having sunk a few million dollars in product costs, Enrico almost abandoned the venture and contemplated suing Jackson for damages. Fortunately, the story has a happy ending reflected in Enrico's exaggerated claim that within a year of the commercials being aired, 97% of all Americans saw the commercials a dozen times or more.

ENRICO: SCHIZOID VIEW

And what about the blinking referred to in the book's title? A smug recollection of Coca-Cola's horrendous decision to tinker with the traditional formula. Somewhat childishly, Enrico argues that the decision was spurred by Pepsi's success — implicitly, Coke acknowledged that Pepsi tasted better. The morning after Coca-Cola announced the new drink, Enrico propounded this theory in the guise of a newspaper ad aimed at his bottlers. Going for the jugular, he concluded with an epic one-liner contradicted by his own earlier actions: *"Everybody knows that when something is right it doesn't need changing."*

Flogging an idea. A brilliant thrust, it rattled Coke seriously. The author then flogs the idea that by 1985 Pepsi had defeated Coke in a fundamental way. He cites as evidence an A.C. Neilsen market share study for February and March 1986 showing Pepsi leading Classic Coke and New Coke combined by 1.5%. The figures in question relate only to retail store sales. It is widely accepted that Coca-Cola has a decisive lead in the vending machines and restaurant segment which Enrico disdainfully dismisses as "a captive market." Yet, strangely Pepsi is hellbent on gaining ground in this very segment!

Enrico's chronicle of the cola wars is in itself a salvo of sorts. Sadly, sometimes it exults in deriding the enemy rather than realistically assessing the strengths and weaknesses of the two camps. A lot of thinking people could end up sympathising with Goliath.

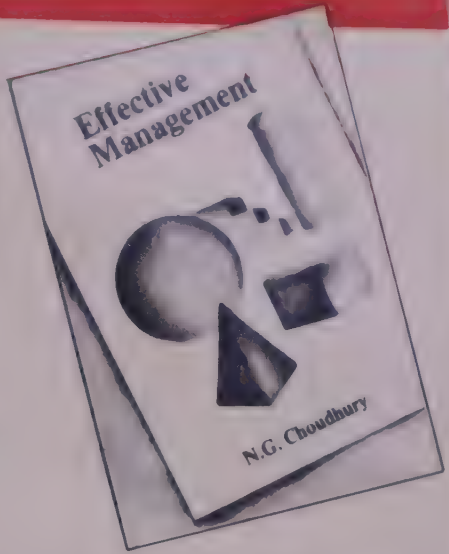
■ *Sanjoy Bhattacharyya*

MANAGERS' QUOTE BOOK

Lin Biao, who masterminded the publication of Mao Zedong's famous Red Book, would have liked this one. For chairman Choudhury of Tribeni Tissues has taken more than a leaf from the book of China's former chairman; he has borrowed the very idea. The result: a compendium of quotes for all occasions for executives — which is what this book essentially is.

Most of these quotes, admits Choudhury in the introduction, were born during speeches (his own). And, one suspects they are meant for use in more speeches. The book begins with insights, goes on to watchwords and ends with the author's thoughts, with a few musings on the ideal organisation. Some insights smack of the pulpit ("Managers can't have people of their choice. Make the best use of people by developing people. Make this a sacred mission."). Others are confusing ("Due to ignorance, inability to integrate people together, we fail to do the 'doing function' properly.") or trite ("In fact tomorrow is here and let us not be caught in a web of complacency.").

There are watchwords and thoughts on procedures, authority, law, systems and internal audit and several other areas that managers may come up against. These suffer from the same shortcomings as the insights. Even where the ideas are sound, verbose writing mars their effectiveness. Terse, punchy prose is imperative in a book of this kind.



(By N.G. Choudhury, published by Orient Longman Ltd.,Calcutta, 1988, pp.139, Rs. 60)

DIAMOND
King of Gems

(By Sudhir Ghaswala, published by author, pp.302, Rs. 175)

ROUGH CUT

Diamonds are a hot-selling export commodity. With Indian exporters having cornered a substantial chunk of the world market for small diamonds, the sparkler industry has been making its presence felt.

Ghaswala has the credentials to write such a book. As an instructor at the Gemmological Institute of India, he has taught diamond-related skills for a decade, apart from having written books in Gujarati. Much of this technical expertise he now presents in English. There are chapters on types of rough diamonds, sorting and grading techniques, styles of cuts (such as brilliant, marquise, pear or oval) and also on sawing, cleaving and bruting processes.

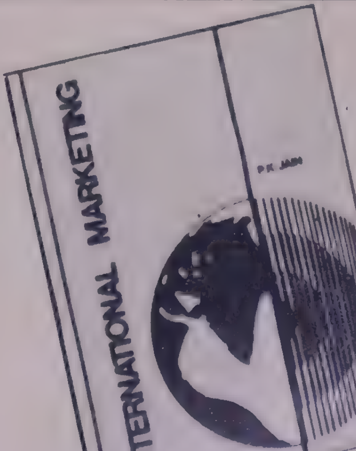
The author should have stuck to these technical aspects, without dabbling in socio-historical analysis. On these issues, the book falls flat on its face; more, it betrays an astonishingly narrow and myopic perspective. For instance, the Indian artisans, whose skills have earned the exporters their prosperity, are described as "semi-illiterate" and "carefree types... (who) are not much concerned about improving their skills." Equally unsatisfactory is the analysis of the origins of De Beers, the South African diamond monolith. Cecil John Rhodes, one of the company's founders, is described as a "visionary." For the father of colonial rule, who once said "I would annexe the planets if I could," that is certainly a gem of a description.

EXPORTERS' HANDBOOK

Advocates of India's "export thrust" should read this book. At a time when the government is busy lavishing its largesse upon exporters, P.K. Jain — an assistant professor at the University of Rajasthan — presents the other side of the coin. He attempts to assess the impact of incentives on export performance. His conclusion: "The liberal export policy with numerous incentives ... has not produced even modest results."

His solution is to establish a more militant presence in global markets. "Exporters should take it for granted," he writes, "that manufactured goods rarely sell themselves in world markets; almost always they must be aggressively marketed." Moreover, Indian exporters would be vastly better off if they adapted their "marketing mix to the many aspects of each target market." Jain identifies Africa, the EEC and Eastern Europe as the most promising markets

There is an interesting chapter on Indian multinationals. "We, in India, are beginning to have MNCs of our own," says Jain, citing data to show that major Indian industrial houses "have invested Indian equity and technical and managerial skill in 34 countries." Less satisfactory is an initial chapter on export policy; economists such as Deepak Nayyar have done a much better job on this question.



(By P.K. Jain, Printwell Publishers, Jaipur, 1988, pp. 278, Rs. 185)

Excerpts of the Speech delivered by Mr. Ramesh Chandra, Chairman
at the 17th Annual General Meeting of the Company
held on Tuesday, the 28th June, 1988 at New Delhi.

UNITECH
LIMITED

CHAIRMAN'S STATEMENT

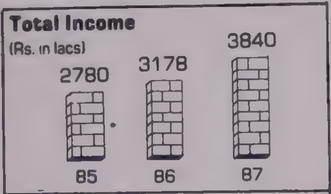
Dear Shareholders,

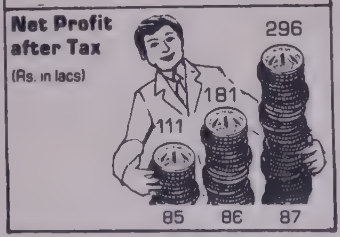
It gives me great pleasure to welcome you to the 17th Annual General Meeting of your Company.

Excellent Financial Results

Despite adverse conditions — such as the unprecedented drought with its depressing impact on all sectors including Civil Construction — your Company enjoyed another year of high growth and profitability.

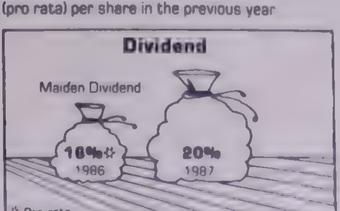
The Company's performance is well reflected in its excellent financial results.





Turnover rose by 21%, from Rs. 31.78 crores in 1986 to Rs. 38.40 crores in 1987. Profit before tax shot up from Rs. 241 lakhs in 1986 to Rs. 366 lakhs in 1987. And net profit after tax touched Rs. 296 lakhs — an appreciable 69% increase over the previous year's figure of Rs. 175 lakhs.

True to the Company's policy of sharing its growth with its shareholders — and thus reciprocating their continued support and confidence — the Directors of your Company have recommended for your approval a dividend of Rs. 2.00 per share as against Rs. 1.60 (pro rata) per share in the previous year



Projects Completed During the Year

- Polyester Plant for Ester India Ltd. at Khatima (U.P.)
- 75000 TPA LPG filling station for Bharat Petroleum Corp Ltd. at Asaoti (Haryana)
- Office Complex for Peerless General Insurance at Delhi
- School Buildings, Hospitals and Residential Quarters at Hun and Wadan (Libya)
- Carpet Factory at Sokhna (Libya)

Construction : Ever Upwards

INDIA : Besides making excellent progress at ongoing projects, your Company won major new contracts such as the Okhla Sewage Treatment Plant at Delhi and the Steel Melting Shop at the Visakhapatnam Steel Plant. Unitech is now programmed for further expansion and also entry into non-traditional fields of civil engineering construction. The Company is already pre-qualified for contracts of Large Dams, Highways and Atomic Power Plants.

ABROAD : The Company's performance on overseas projects too continues to be good. A protocol was recently signed with the Libyan Government authorities for the construction of 270 houses at Wadan (value Rs. 46 crores). In addition, negotiations are at an advanced stage for the construction of two Reservoirs for Hot Water (value Rs. 7 crores) in the desert area and High Tension Lines for Tube Wells (value Rs. 8 crores) for a reputed international oil company. These contracts, totalling Rs. 61 crores, will mean a sizeable increase in our Overseas Projects' turnover and profitability

Unitech has earned a rare distinction in Libya. It is the first Indian private sector construction company to be paid its dues in the form of Crude Oil. The Libyan Government has agreed to release 5.2 lakh barrels of Crude in settlement of the major part of Unitech's old outstandings against Libya.

The Real Estate Phenomenon

In recent years, perhaps no business has grown so phenomenally throughout India as Real Estate. The demand-supply gap in Housing is ever widening. Shortage of houses in India, estimated at 24.7 million units in the 7th Plan, will actually cross 40.9 million units by 1990 New townships, industrial and residential, are proliferating all over the country

Unitech is making an important contribution in the country's housing sector — and, in the process, is substantially augmenting the Company's profit potential. Two Mini Townships are under rapid development in key regions : the Delhi-Haryana border and the city of Lucknow.

Unitech's Prestigious project for Vizag Steel Plant.

In New Delhi, where the demand for commercial and residential accommodation is insatiable, the Government has lifted the ban on construction of multi-storeyed buildings in the Connaught Place area. Unitech will thus be able to launch, hopefully in the current year, various housing projects hitherto pending. The Company has also signed beneficial agreements for construction of multi-storeyed residential complexes in prime locations of Lucknow city.

During the year, your Company extended its development activities southwards — to the garden city of Bangalore, one of India's fastest growing cities. The Company has concluded major agreements for constructing Group Housing projects in several prime locations.

In the megalopolis of Bombay, Unitech has not only made rapid progress at ongoing project sites but has also signed a new agreement for construction of a large sized Group Housing complex on the city's outskirts.

> **"Shortage of houses in India, estimated at 24.7 million units in the 7th Plan, will actually cross 40.9 million units by 1990. Unitech is making an important contribution in the country's housing sector — and, in the process, is substantially augmenting the Company's profit potential."**

The Export Front

In the year just ended, your Company appreciably expanded and diversified its export business. An order for Rs. 1 crore worth of Shoe-Uppers was successfully executed and a repeat order of the same value was recently secured. The Company is currently negotiating with the USSR and certain African countries for the export of many new items.

Unitech Metals : the vehicle drive

Unitech is happy at the continued upswing in the light commercial vehicle (LCV) market, as it has a direct bearing on the prospects of our subsidiary, Unitech Metals Ltd. To cash in on the uptrend, Unitech Metals has substantially increased its production of Rear Deck Assemblies for LCVs and is looking forward to the future with renewed assurance.

The Company also expects to ride the Maruti wave with the commencement of production very soon of Door Sash Members for Maruti cars

Welcome Tomorrow

For your Company, therefore, the future is bright. Real Estate is ever growing and Unitech enterprise in this field is bearing fruit nationwide, with the setting up of a widesprea branch office network. Overseas Construction is firming up with the stabilisation of oil prices, and your Company is making successful new thrusts in this area. Opportunities for Unitech expansion and diversification are fast opening up, with the Company's cash flow position gaining impregnable strength. Your Company thus has every reason to welcome the morrov with confidence.

Thank You All

Finally, I would like to convey my sincere thank and appreciation to all Unitech employees for their sustained hard work and devotion throu the year. I also wish to express my deep gratitude to our bankers, Canara Bank, for th consistent support and wholehearted cooperation. And I am most thankful to you, dear shareholders, for your continued faith ar confidence in the Company. Let us all strive together to take our Company ever forward.

Note
This does not purport to be a record of the proceedi of the Annual General Meeting

NORTHERN THERMAL PROJECTS

This article, the sixth in the series on new power projects in India, briefly discusses the schemes in the planning and implementation stages in the northern region. The states of Punjab, Haryana, Rajasthan, Uttar Pradesh, Madhya Pradesh, and the Union Territory of Delhi are covered in this article.

Haryana is in the final stages of implementing the 210 mw Panipat thermal stage III project. The Rs 232.3 crore project is likely to be commissioned by end-1988. The state is also taking steps to set up the 420 mw Yamunanagar thermal stage I project estimated to cost around Rs 480.45 crores. The first unit is scheduled for commissioning during 1991 and the second unit during 1992.

Punjab is implementing the 420 mw Ropar thermal stage II project. The first 210 mw unit of the Rs 375 crore project is scheduled for commissioning around mid-1988 while the second 210 mw unit is expected to go on stream by end-1988. Punjab has also proposed the 420 mw Ropar thermal stage III project which is an extension of the Ropar thermal stage II scheme. Work on this scheme has not yet started.

In addition, Punjab has proposed an extension scheme at the existing Guru Nanak Dev thermal power station at Bhatinda besides setting up a new thermal plant at Anandpur Sahib or any other suitable location. These two schemes are believed to be still in the proposal stage and have yet to be cleared by the Central Electricity Authority (CEA).

Rajasthan is in the process of executing a major thermal power scheme at Kota. The Rs 451 crore, 2x210 mw Kota stage II project is in an advanced stage of execution. The first 210 mw unit is likely to be commissioned by late 1988 and the second unit by late 1989. The 210 mw Kota stage III scheme has also been proposed and the project cost is an estimated Rs 180 crores. The scheme has yet to be cleared by the CEA.

Rajasthan has also proposed several other new thermal projects in the state, which have yet to be cleared by the CEA. These include:

- The 420 mw Suratgarh thermal project at a cost of Rs 465 crores.
- The Chittorgarh thermal scheme with a capacity of 420 mw and set up at an estimated cost of Rs 452 crores.
- The 3x210 mw Mandalgarh thermal project executed at a cost of Rs 555 crores.
- The Dholpur thermal plant with a capacity of 420 Mw and an investment of Rs 648 crores.

Uttar Pradesh is executing a number of thermal power projects such as:

- The — 3x210 mw, Rs 658 crore Anpara A' project in Mirzapur district is almost complete. Two units of 210 mw each have already been installed. The third unit was scheduled to be synchronised by mid-1988.
- The Rs 390 crore, 4x110 mw Tanda thermal project is making slow progress. The first 110 mw unit was scheduled for commissioning during March 1988 and the second unit in late 1988.
- The 420 mw Unchahar thermal scheme, also known as the Feroze Gandhi thermal power project, is being set up in Rae Bareli district at a cost of Rs 465 crores. The first unit of the project was scheduled for completion around mid-1988 while the second unit is expected to become operational during the second half of 1988.
- The Anpara 'B' thermal plant of 1000 mw capacity costing around Rs 1,700 crores will take shape around 1992-93. Two units of 500 mw each are proposed to be installed.
- The Parichha thermal extension project of 420 mw is awaiting clearance from the CEA.
- The Unchahar thermal extension scheme envisages two units of 210 mw capacity at the existing Feroze Gandhi thermal power station in Rae Bareli district. This project is still in the proposal stage.

The Delhi Electricity Supply Undertaking (DESU) has commissioned Bhel to undertake the Rajghat thermal replacement project on a turnkey basis. The first 67.5 mw unit of this Rs 180 crore project is scheduled to be commissioned by mid-1988 and the second unit by late 1988.

While Uttar Pradesh and Madhya Pradesh are going in for major new projects, Punjab and Haryana are implementing existing ones

Madhya Pradesh, a state endowed with large coal reserves, is undertaking some thermal schemes besides proposing a few new projects. The details are:

- The Rs 443 crore Sanjay Gandhi thermal project is being set up in Shahdol district. The first unit of 210 mw capacity is scheduled for commissioning by late 1989 and the second unit by end-1990.
- Madhya Pradesh has proposed the implementation of the 2x210 mw Bishampur thermal scheme at an estimated cost of around Rs 299 crores. The project is yet to receive clearance from the Planning Commission.
- The 2x210 mw Pench thermal project is proposed to be located near Chaunsara village in Chhindwara district. Madhya Pradesh has reportedly submitted a revised project report seeking CEA approval.
- The Korba West extension stage II project envisages the installation of the fifth unit of 210 mw at the existing Korba west thermal power station. The unit is likely to utilise coal from the Kusmunda coalfields.

Madhya Pradesh has also proposed two inter-state thermal power schemes:

- The Bhandar thermal stage I project of 1000 mw capacity is proposed to be implemented jointly with Gujarat. The project will have an ultimate capacity of 2000 mw.
- The Mand thermal scheme of 420 mw capacity is estimated to cost around Rs 371 crores. The project report of this scheme is under CEA scrutiny and is likely to take shape during the Eighth Plan period as a joint venture.

■ *P.V. Satyanarayana*

The author is a Bombay-based management consultant.

PSF

RELIANCE VS THE REST

It is a curious circumstance of prospective clothiers to the nation themselves standing naked and forlorn. On the mat are three big dads of Indian industry — Singhania, Goenka and Thapar. In what seems to be a monumental miscalculation, they have collectively staked an estimated Rs 330 crores of costly capital in installing separate polyester staple fibre (PSF) plants aggregating 60,000 tonnes per annum (tpa) in capacity. The catch:with demand for polyester filament yarn (PFY) riding a hightide crest instead, there are no takers for PSF.

As a result, Bharat Hari Singhania's prestige unit in the east, Orissa Synthetics, is losing a cool Rs 1 crore a month, as is the RPG group's Lucknow-based India Polyfibres. And it is a moot point as to when the third and newest unit in the PSF sector, Lalit Mohan Thapar's Punjab Polyfibres, will ever see black in its bottomline. Indeed, their sunk-in-red fates seem to hang on threads as tenuous as the fibres their ultramodern, Du Pont-supplied production lines manufacture.

As Orissa Synthetics' Calcutta-based managing director Surendra Malhotra ruefully notes, PSF perhaps provides the only contemporary instance in the country of a commodity whose prices have been consistently on the downslide in recent times. The net sales realisation of PSF producers currently stands at around a dismal Rs 37 per kg as against about Rs 43 a year ago. With hapless producers' variable manufacturing costs (including raw materials and labour) totalling upto Rs 40 per kg, this means that right now, selling each kg of PSF straightaway brings home a hopeless loss of Rs 3. To which must be added the millstone of financing costs like interest and depreciation estimated at a crushing Rs 13 per kg for new units. It scarcely needs the brains of an Einstein to work out the loss-related arithmetic.

AMBANI: CLOBBERING RIVALS

Relative disadvantage. As newcomers in this bloated with overcapacity (237,000 tpa) industry, Malhotra and his two confreres stand clobbered by their relative disadvantage *vis-a-vis* oldtimers (IEL, JK Synthetics, Indian Oil, Swadeshi Polytex and Calico) and the heavyweights (Reliance Industries, Bongaigaon Refineries). He explains:"A new unit like ours unfortunately finds itself sandwiched between the fully amortised old plants, on the one hand, and the large, internationally competitive new plants on the other." To paraphrase, the former lot is not saddled with crushing financing costs, while the latter has better staying power thanks to the benefit of forward and backward integration.

Naturally, the biggest of the heavyweights Reliance Industries is currently calling the shots in the PSF market and socking competitors neatly in their respective solar plexuses. The marketplace reality is as follows: since April, Reliance's 45,000 tpa PSF plant has been fully onstream, thereby giving this megacorp a massive 50% share of the 90,000 tpa all-India PSF market. The intense competition for slices of this relatively small cake (vs PFY sales:140,000 tpa) has predictably triggered off a price discounting spiral.

Till February, before the Union budget was presented, fibre producers sold their wares against a benchmark price of Rs 70.50 per kg, inclusive of an excise element of Rs 25. Owing to competitive pressures, the market price of PSF was around Rs.67 then. The budget slashed duty by Rs.9.66; consequently, the standard price was pegged at Rs.61 while the stuff was actually sold at about Rs.59 per kg.

> A *series of friendly* diktats *from Delhi has helped Reliance establish its hegemony*

In the last couple of months, though, coinciding with Reliance's arrival in the market with 3,750 kg of fibre per month, prices have plummeted to the Rs.52-54 range. And it is easy to see how and why Reliance can sell at such low prices. Since it makes its own PTA (purified terephthalic acid), Reliance has the advantage of saving on energy consumption, inventory carrying costs and sales tax. In money terms, this translates to an advantage of at least Rs.3.20 per kg.

Friendly diktats. A series of friendly *diktats* emanating from New Delhi over the last few weeks has also helped Reliance not a little to consolidate its marketplace advantage and establish its hegemony. For instance, in an unprecedented move, DMT (dimethyl terephthalate) manufacturers like Bombay Dyeing have been forbidden from selling their produce to dual feed-users such as Orissa

Synthetics and India Polyfibres. Instead, the latter are compulsorily enjoined to solely adopt the PTA route to PSF manufacture. In other words, they can either buy the stuff from the PTA manufacturer— Reliance Industries — or lump it.

Not surprisingly, this Hobson's choice is proving to be more expensive for those at the receiving end. Reliance has priced its PTA at Rs 23,650 per tonne, which is 12% higher than Bombay Dyeing's price tag of Rs 21,000 per tonne of DMT. The manufacturing route *via* PTA confers only a 7% saving on cost *vis-a-vis* DMT. Internationally, PTA is the preferred raw material precisely because it commands price levels that are only upto 5% higher than DMT, thus giving the user a clear 2% advantage. In India though, users of PTA fibremaking actually suffer a 5% disadvantage. And uncharacteristically, there are no price controls. "Prices of DMT and PTA are not administered by the government, but these are monitored by this department," confirms H.K. Khan, secretary in the department of chemicals and petrochemicals in the industry ministry.

More than anything else, it is the Union government's benignly pro-Reliance gestures that bug rival PSF companies. It so happened that Reliance had imported DMT under advance licence for its own use, but the material turned out to be surplus. This was in April. Fibre manufacturers promptly received official instructions to lift DMT stocks from Reliance — at a price of Rs 26,000 per tonne. Questions a reluctant buyer: "The government says its only intention is to save foreign exchange. But how come every time the solitary beneficiary happens to be one and the same company?"

PSF CAPACITY-DEMAND GAP

Year	Installed capacity (tpa)	Total demand (tonnes)
1984-85	46,000	45,285
1985-86	91,000	60,512
1986-87	141,000	79,622
1987-88	187,000	79,478
1988-89	237,000	110,000*
1989-90	245,000*	121,000*
1990-91	275,000*	133,000*
1991-92	275,000*	146,000*

> *B.H. Singhania, R.P. Goenka and L.M. Thapar have collectively staked Rs 330 crores in installing PSF plants — but there are no takers for PSF*

But while frustrated parties are free to gnash their teeth in despair, they can only do so in vain. Smaller players are quickly learning to live with the fact that for better or for worse, Reliance's larger than life 50% market share (*cf* its 20% share of PSF installed capacity) is a present-day reality. Wished away it might be, but go away it will not.

Raising fibre consumption. Accordingly, survival strategies of down-to-earth realists like Sanjiv Goenka of India Polyfibres are unexceptionably aimed at outflanking rather than overcoming the Reliance threat. Says Goenka: "In my view, the entire PSF sector ought to single-mindedly work together to increase the overall level of fibre consumption."

He suggests three ways of doing this. One is the traditional method of cutting excise duty. Already, points out Goenka, the March reduction in duty from Rs 25 to Rs 15.34 has created an additional demand which works out to a hefty 20,000 tpa. Another cut would act as a redoubled stimulus, he reasons. Secondly, an export thrust in blended fabrics — optimists see an additional export potential of up to Rs 500 crores achievable in two years — will automatically boost PSF demand.

The third way out lies in opening the export window for PSF. Till last year, notwithstanding the glut at home, PSF export was banned. Matters stand partially rectified, with exports of up to 60,000 tonnes subsequently cleared for this financial year. However, export procedures remain bogged down in red tape.

Also, a value additional level of 33% is compulsory, which is patently unrealistic. Industry insiders argue that unbranded made-in-India PSF will not fetch more than US $1.25 per kg in the international market, and at this price value addition will be of the order of only 7%. Also, the present cash compensatory support of 5% is too niggardly: it offers a piddling neutralisation of 81 paise as against an exporter's deficit of Rs 8.93 per kg.

Object lesson. From all this, the obvious object lesson is that the PSF muddle confronting the upstream textiles sector is entirely the effect of botched planning. The government has gone ahead and sanctioned a total PSF manufacturing capacity of 359,431 tpa (of which 237,000 tpa has been installed till date) even though the Planning Commission had targeted for a capacity of 160,000 tpa by the end of the seventh plan.

Right now, the domestic demand level stands at a modest 90,000 tpa. Close to two-thirds of all production lines are lying idle. Individually, though, Reliance's 45,000 tpa PSF line runs at full steam.

Will Reliance's no less strong-willed and hard-muscled adversaries in the industrial houses of Singhania, Goenka and Thapar continue to stomach such ignominy? Not for long, not likely. Which means that the stage is being inexorably set for star wars on the PSF front. Stand by for the fireworks!

■ *Sujoy Gupta*

SHIPPING

WHY ESSAR WANTS SCINDIA

Any takers for Scindia Steam Navigation Company? Apparently, yes. Earlier this month, *The Economic Times* front-paged a report to the effect that Essar Shipping had won Delhi's nod to take over the company. The report, like similar ones earlier, may or may not be off target, but one thing is certain: Scindia is takeover material in today's upbeat freight markets.

Scindia is undoubtedly the ugly duckling of India's merchant marine. Its outstanding liabilities run up to about Rs 200 crores, foreign creditors are seizing and auctioning off vessels and the crew is turning mutinous: last year, one such incident in the high seas off Aden led to the death of an officer. The company's Ballard Estate head office in Bombay has been under a lockout for several months now and most of its weary fleet of 23 ships should be a scrapper's delight.

Yet, growth-hungry Essar is coveting Scindia as much as the other shipping heavyweight Great Eastern Shipping is. Industry sources aver that even the government-controlled Shipping Corporation of India (SCI), wooed last December by the government to run Scindia without much success, is now keen on joining the suitors' queue. What are the hidden charms of the harried and old Scindia Steam?

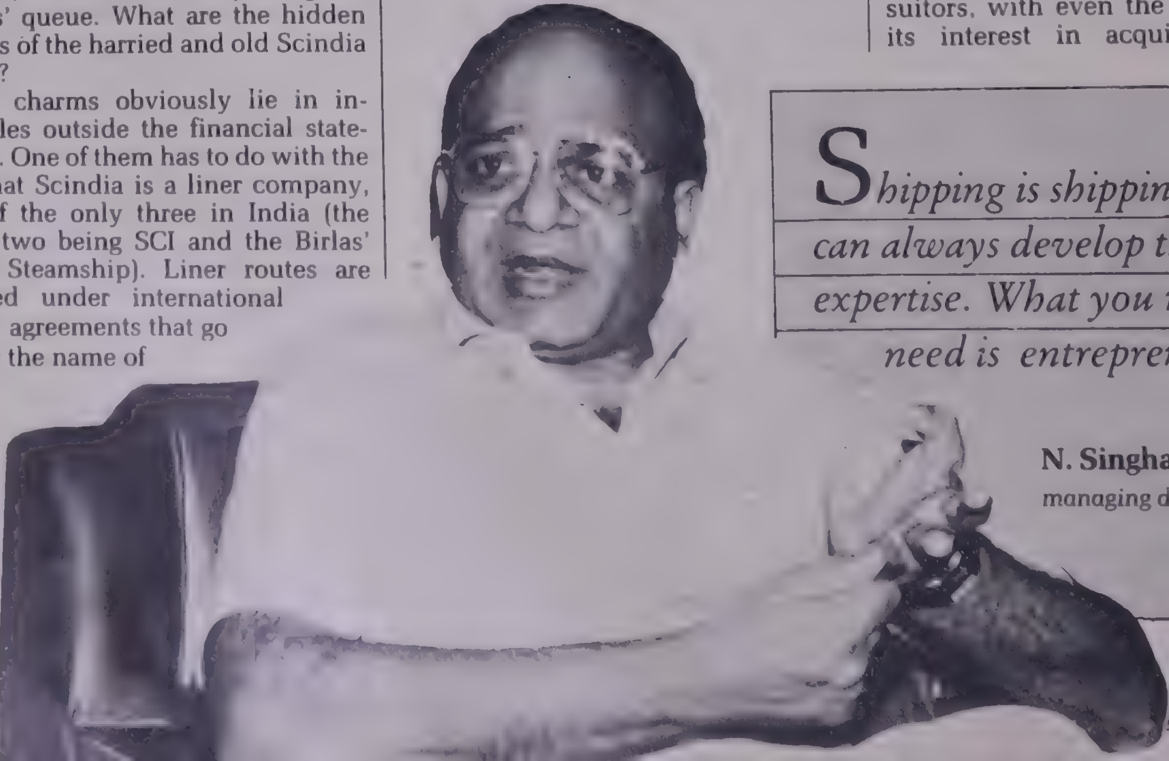
The charms obviously lie in intangibles outside the financial statements. One of them has to do with the fact that Scindia is a liner company, one of the only three in India (the other two being SCI and the Birlas' India Steamship). Liner routes are allotted under international cartel agreements that go under the name of shipping conferences and they are considered kind of exclusive. Anybody buying up Scindia automatically inherits its rights to ply on the UK, Continent and Black Sea routes, among others. That by itself would not have been much of an attraction had not the international freight markets been on the upswing for all of the past one-and-a-half years.

According to an industry insider, freight rates during this period have almost trebled. And Eggar Forrester, a leading London-based ship cartering house, predicts that "bulk shipping is poised for a decade of prosperity." Freight rates and secondhand ship prices will soar, it says, spurring shipbuilding. The international shipping outlook has brightened so much that even the staid SCI is keen on acquiring Scindia's liner routes. It is already chartering vessels from abroad to make as much money as possible from its own routes. A former director of Scindia Steam reckons that the company may have incurred an opportunity cost of Rs 10-15 crores by being out of operation.

Making Scindia viable. If that's true, it could radically alter the widely-held view that Scindia can be made viable only if the workers make a beeline for voluntary retirement and creditors agree to forgo up to 80% of their dues. "With the freight market firming up, Scindia's operating results (not counting interest and depreciation) would have been only marginally in the red," says the former director (quoted earlier).

These reasons apart, Scindia's assets — its real estate and 23 vessels — today command a market price of around Rs 100 crores, according to the managing director of the Shipping Credit & Investment Corporation of India (SCICI), N.C. Singhal. The SCICI, which is Scindia's largest creditor (Rs 170 crores), will have a substantial say in the ultimate fate of the company. Last August, using the powers granted to it under the SDFC Abolition Act, it called back the loans, appointed a receiver and reconstituted the Scindia board. It is now trying to fashion rehabilitation packages for 11 other shipping companies, but it's toughest test is in reviving Scindia.

In the light of the current upturn in the international shipping market, SCICI's task is not as unenviable as it once was. Scindia doesn't lack suitors, with even the SCI renewing its interest in acquiring the be-



Shipping is shipping. One can always develop the expertise. What you really need is entrepreneurship

N. Singhal
managing director, SCICI

leaguered company. The SCI bid is being actively backed by the surface transport ministry.

SCI's claims over Scindia are unique in some senses. It is the only Indian shipping company that is in the liner business — both Essar and Great Eastern, the other suitors, are tramp operators. SCI could logically claim that it already has the expertise that both Great Eastern and Essar are yet to acquire. The SCICI may, however, be lukewarm to the prospect of the SCI taking over Scindia. Says Singhal: "Any form of government takeover would mean taking over the entire liabilities of all the creditors as well as those of the employees. At the present time that would add up to about Rs 200 crores." Contrast that with a takeover by Great Eastern or Essar, in which cases a substantial part of the interest and other liabilities would be written off.

A banker's view. Shipping industry sources say that the SCICI, being an offshoot of the ICICI, takes a bankers' view on the issue. It would prefer the private sector candidates to SCI simply because they are willing to make an immediate down payment towards the Rs 30 crores it advanced to Scindia very recently. Therefore, notwithstanding SCI's claims of expertise and the backing of its ministry, Great Eastern and Essar are very much in the running.

Singhal, of course, says that the SCICI is neutral: it has merely worked out the several alternatives available and it is now up to the government to decide. The best of such alternatives, it seems, is the winding up of Scindia, a solution prescribed by H.T. Parekh, chairman of the Housing Development Finance Corporation, who studied Scindia's financial position minutely last year. Singhal agrees: "Having evaluated all the alternatives, we came to the conclusion that from a purely commercial angle, given the current market situation, liquidation is the most profitable alternative." Yet, the non-commercial implications considered pointed in the opposite direction. These considerations, listed by Singhal, are loss of Scindia's goodwill, loss of jobs and the tonnage loss to the country.

None of these, however, appear to be dreadful fallouts. Essar's first proposal (made last May) was, in fact, said to have stipulated the right to run Scindia with an entirely new staff. In case of liquidation, the government too would be better off because it could recover some Rs 100 crores out of the Rs 170 crores advanced as loans. And Scindia's profitable routes could be picked up by some other company (SCI, for instance).

For the private sector, all this would mean the loss of an excellent opportunity to expand on the cheap. Great Eastern's proposal, for instance, sought to purchase the Scindia fleet at rock bottom prices — when international prices were indeed depressed.

MOVING INTO SCINDIA?

The Essar offer is different. It has offered to put Rs 30 crores into SCICI's kitty, take on a part of the liabilities to non-government creditors and convert the remaining Rs 140 crores into low-interest loans and zero-rated bonds, the mix depending on the net present value of the Scindia fleet.

The last appears to have become a bone of contention in view of the continuous rise in the value of secondhand ships in recent months. Essar wants Scindia's ships to be valued at the prices that ruled on the date it had made the proposal so that there is a greater share of zero-rated bonds in the loan portfolio. As against the above debt, Essar gets large chunks of real estate — Scindia House, Scindia Sadan and some freehold land in central Bombay. The balance sheet values such freehold and leasehold land at a ridiculously low Rs 65,000.

Other gains. Essar's other gains would be the opportunity to set off accumulated losses of more than Rs. 100 crores against its own profits. Last year, its net profit was Rs 7.8 crores; the company can thumb its nose at the taxmen for many years to come with the aid of Scindia's losses.

If industry sources are to be believed, Essar is sparing no effort to latch on to Scindia. But there are questions still about Essar's ability and intention to run Scindia as a going concern. One shipping expert who spoke to *BusinessWorld* on the condition of anonymity alleged that if Essar did get Scindia on its present terms, it would be an unfair deal. "They are getting away with everything by putting in very little. Besides, they are totally new to this line of business."

Singhal of SCICI bristles at such criticism. "Essar is a regular shipping company. It is governed by the maritime laws; it may have been engaged in a line of business other than Scindia's, but that would be true of any other shipping company except the SCI. Shipping is shipping. One can always develop the expertise. What you really need is entrepreneurship. After all, people start shipping companies even when they have no experience."

Singhal, of course, asserts that the SCICI has not made any recommendations but merely evaluated the various alternatives and proposals. He denies that Essar has already been selected and says that "To the best of my knowledge, no firm decision has been taken (on Scindia's fate)." If Singhal is right, the curtain on the Scindia soap opera is far from being rung down.

■ *Debashis Basu*

HARD METAL TOOLS

SUNSHINE AGAIN

The engineering industry is climbing out of a recession. Can the machine tools sector, which so depends on the vagaries of the former, be far behind?

Not surprisingly, top managers at Widia (India) are ebullient. The Bangalore-based Widia is a leading manufacturer of tools used in metal cutting, metal forming and mining, besides wear-resistant parts. Considering the poor market situation that prevailed last year, the company has not done too badly: sales went up 10.3% to Rs 34.28 crores, and the profit after tax was Rs 2.7 crores — more or less on a par with pre-tax profits, owing to the write-back of provision for taxation for earlier years. But if one considers inflation, growth in Widia's sales was a mere 4% over 1986.

In exports, though, Widia did particularly well last year (54% growth over 1986) with sales to countries in south-east Asia, Europe (through its principal Krupp Widia), Japan and East Germany. Machine tool exports to USSR are to begin soon while mining tool exports to Australia have already commenced.

COMPARATIVE PICTURE

	1987	
	Widia	Sandvik
Sales (Rs. cr)	33.85	38.93
Profit before tax (Rs. cr)	2.71	2.61
PBT to sales (%)	8.0	6.7
Profit after tax (Rs. cr)	2.26	1.36
PAT to sales (%)	6.7	3.5
Shareholders' funds (Rs. cr)	14.42	13.32
Growth (%)	17.2	22.2
Return on shareholders' funds (%)	15.7	10.2
Capital employed (Rs. cr)	34.48	22.66
Capital-output ratio	1.02	0.58
Interest paid (Rs. cr)	2.98	1.44
Interest to sales (%)	8.8	3.7

SRINIVASAN: INTERNATIONALLY COMPETITIVE

But exports are far from profitable as input costs in India are high. Besides, there are too many procedural hurdles. "We export because it helps us keep abreast of changes in technology and hone our marketing skills. We would like to be internationally competitive and you cannot be that unless you export," says managing director R. Srinivasan. Exports account for 10% of Widia's sales by value and 20% by volume.

Optimistic outlook. Srinivasan is optimistic that Widia's overall sales turnover will rise by 15% to around Rs 40 crores by the end of the current financial year ending December. "The inflow of orders suggests that," says Srinivasan. "Indigenous manufacture in the engineering industry is on the rise: it seems that the engineering industry has adjusted itself ... got over the debilitating effects of import liberalisations."

"The engineering industry in general and the automotive sector in particular is picking up. The flow of orders from the defence sector, mining, and for our special purpose machines is good. At any rate, better than what we obtained during the same period last year," adds executive director (marketing) A. Prakash.

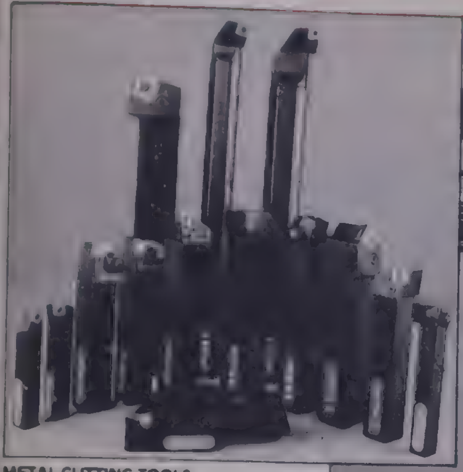
According to Prakash, besides the poor demand from the engineering sector, the availability of better quality tools (with longer life) and customers becoming more cost conscious affected sales last year. Apart from these, Widia in particular was hit by the drying up of the flow of orders for cones and noses — parts of armament — from the defence sector, with the government deciding to manufacture them on its own. This meant a loss of Rs 3.5-4 crores per year by way of sales.

Although Widia's overall sales may be picking up again, its profit margins are definitely coming down. Says executive director (finance) R. Rajagoplan: "I would attribute that to the rising cost of inputs over which we have little control. Also, increasing competition is making it difficult for us to pass on the cost increase to the customer. Besides, the return on investment in our case is low as market response to some of our new products has not been adequate. But this situation is changing. Higher depreciation charges also bring down the margins."

Unsatisfactory response. Rajagoplan is right in saying that the market has not responded satisfactorily to some of Widia's products. For instance, its indigenously developed rock-roller bits — used in oil drilling — have fared poorly in terms of sales. However, the dumping of this product in Indian markets by overseas manufacturers consequent to the slump in the oil industry elsewhere may be a contributory factor.

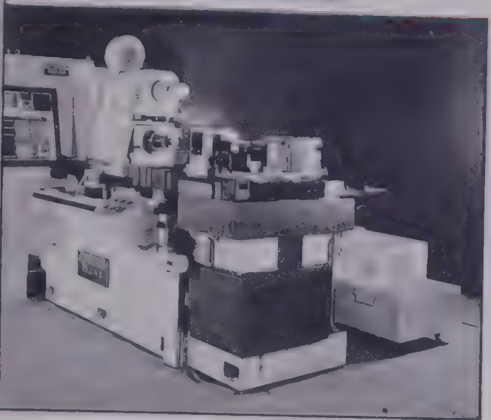
This apart, Widia has not always been able to meet customer requirements in time. Admits Srinivasan: "50% of our products are made-to-order as distinct from off-the-shelf, but our response is not quick enough."

Srinivasan is equally concerned over the rising cost of production, but on one front his hands are tied: labour. Wages, salaries and perks in Widia are among the best in the engineering industry in Bangalore — on a par with Mico, though Widia comes nowhere near it in size of operations or employee strength. In 1987, salar-



METAL CUTTING TOOLS

3-AXIS CNC GUN-DRILLING MACHINE



ies, wages and employee benefits accounted for over 14% of the firm's total income, not a mean percentage by any standard.

Still, it is to the credit of Widia that it manages to invest about 10% of its yearly turnover on improving manufacturing technology, widening its product range and on plant and machinery. In one area where this drive has paid off is special purpose machines (SPMs). Some four years back Widia went into the development and manufacture of SPMs for deep-hole drilling, perceiving a latent market and its own strength as a hard metal tool manufacturer. "Apparently we made the right move; turnover of the SPM division crossed Rs 2 crores last year and is likely climb to Rs 4 crores this year," says executive director (production) H.R. Gupta, who spearheaded this effort.

Fresh collaboration. More recently, Widia has entered into a fresh collaboration with Krupp Widia for tooling systems and tool-monitoring systems that go with fully automated CNC machines with automatic tool-change. The CNC machines will be made by HMT. However, the tooling systems and tool-monitoring systems are expensive and, as managing director Srinivasan admits, Widia will have to create a market for them. Widia is also working on new chip-breaking geometries for throwaway inserts for optimising the chip-breaking efficiency of CNC machines.

The company has no plans to diversify into "unrelated areas" as Srinivasan puts it. Its Fera status is also likely to remain unchanged, though company managers believe Widia would have grown faster had it come out of the Fera fold. "We are happy to have Krupp Widia, a pioneer in tungsten carbide technology, as our principal, and I should think Krupp Widia is satisfied owning a company in India though the returns are nothing much," he says. For the moment then, Widia is sitting pretty.

■ *N. Raghavan*

THE PEERLESS GENERAL FINANCE & INVESTMENT COMPANY LTD

CORRIGENDUM

In the advertisement feature of The Peerless General Finance and Investment Company Ltd. published in the issue dated June 22-July 5, 1988, the sentence in the second column of page 76 which starts "Even if a ...." should be read as follows:

"Even if a single quarterly instalment has been paid, the same will be returned with bonus after expiry of the Endowment period."

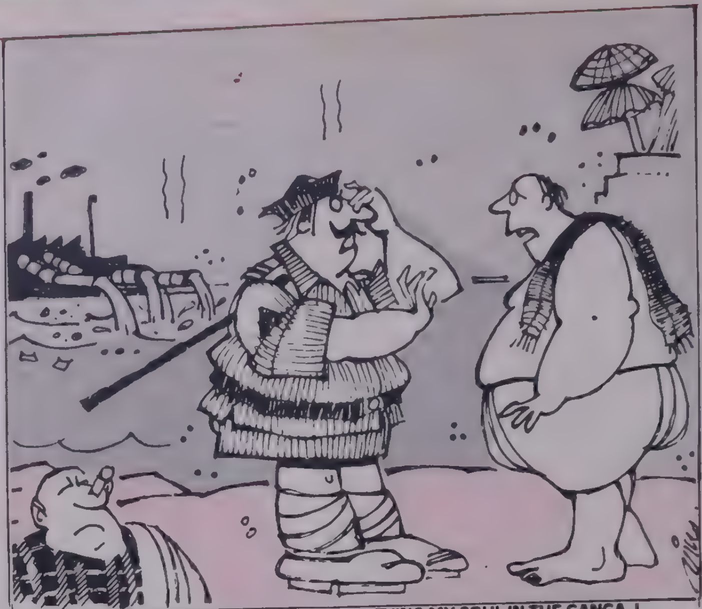
PROCESSED FOODS: DECONTROL?

The processed foods industry is suddenly in the limelight. A new ministry has been created for the purpose, and, at the behest of the prime minister, the commerce ministry has set up an expert panel which has put forth some major recommendations.

The changes recommended are complete decontrol and deregulation of this sector. The panel wants to throw open the arena to large industrial houses. Currently, most processed foods are manufactured in the small sector. The panel argues that although the small sector generates employment, most of the units are not efficient and capacity utilisation is hardly 20% to 25%. As the large industrial houses have better marketing networks in India and abroad, they will have a wider reach.

The panel has also suggested changes in taxation, import and marketing policies. Sales levies should not be more than 3% and total levies on the industry should not exceed 5% as against the 40% prevalent now.

The panel feels that the government should explore the possibilities of completely deregulating the industry and invite big business houses provided they adhere to certain restrictions. They should develop raw material production around their plants by providing extension services and other inputs when necessary at a reasonable cost; enter into an agreement with farmers' cooperatives to purchase raw materials at a reasonable price; provide storage and transport facilities; and undertake an export obligation of at least 5% of their production.



NO, I'M NOT GOING FOR A BATH. AFTER PURIFYING MY SOUL IN THE GANGA, I HAVE TO HAVE A BATH AT HOME

CLEANING THE GANGA

The government is getting tough with industries pumping out effluents into the Ganga. Thirty units on the banks of the river have been given a deadline of 30 days to come up with plans for setting up effluent treatment plants. Of these, 13 are centrally controlled, four are state controlled public sector undertakings (PSUs) while the remaining are private companies. The PSUs have been warned not to give "financial constraints" as an excuse for failure to meet the deadline and setting up the plants. What with some 800 million litres of wastewater being pumped into the river daily it seems an against-the-current-task to purge the river.

BOTTOM OF THE BARREL

Some bottom-scraping of the crude oil barrel seems to be in the offing. This is because Oil India Ltd. (OIL) has failed to pump in enough oil to meet the Seventh Plan target.

During the first three years of the plan, OIL has produced 7.72 million tonnes of crude oil which is more than 11% behind the 8.71 million tonnes target. If the current trend continues, production of crude by OIL for the plan period will be 1.70 million short of the target of 14.99 million tonnes. This shortfall is expected to be filled up to a certain extent by ONGC which is slated to contribute 142.79 million tonnes to the plan target of 157.78 million tonnes. In the first three years of the Seventh Plan, ONGC has produced 83.28 million tonnes against a target of 82.10 million tonnes.

ONGC is already reviewing its targets for the eighth plan period. The target set by the plan for this period is about 280.7 million tonnes of oil and oil equivalent of gas — 187.660 million tonnes of crude and 93.016 million tonnes of gas.

LEATHER EXPORTS UP

Leather exports have risen by a highly satisfying 34% in 1987-88. The industry achieved an export turnover of Rs 1,244.68 crores compared to Rs 930.77 crores last year, way above the original target of Rs 715 crores or the revised target of Rs 1,000 crores fixed by the government.

While the share of semi-finished and finished leather continues to be high at 44.83%, it has declined from the previous year's figure of 48.7%. In other words, more and more value is being added in India.

There is an increase in export of consumer leather goods such as footwear and garments to advanced countries such as West Germany, France, USA, UK and Canada. The share of costlier, better quality fashion footwear to western markets too, is on the rise. About 50% of the value exports of footwear falls in this category.

With this increasing export trend, the availability of the basic raw material — leather — might turn out to be a future constraint. There has been a long-standing demand for allowing the import of all types of finished leather duty-free under OGL.

The exporters also face problems in despatching cargo by air — the delays faced in this regard could frustrate efforts at expor promotion.

Given the fact that the world market for leather and leather products is expanding, specially in the advanced western world, i is an opportune time to try and grab a larger chunk o the cake. But an essential prerequisite is a well developed supporting infrastructure.

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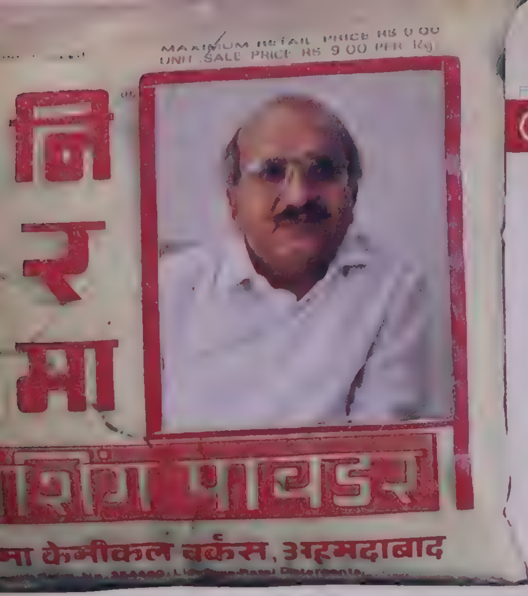
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NIRMA

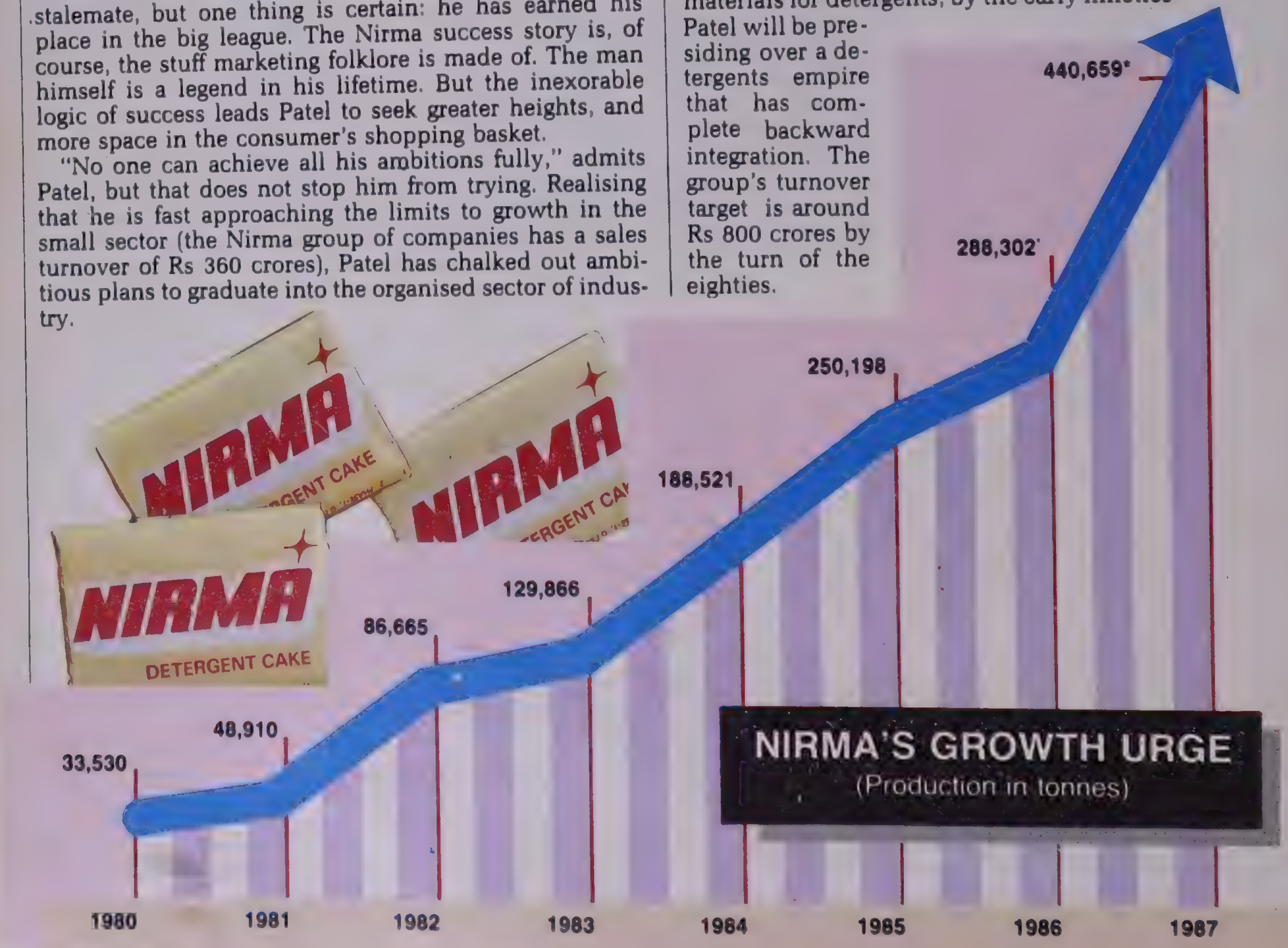
INTO THE BIG LEAGUE

If success breeds success, Karsanbhai K. Patel has it made. The man with the Midas touch has turned whatever he has laid his hands on into gold. And now, having humbled mighty Hindustan Lever in the detergents war, Patel is all set for an encore in the toilet soap business. A few months later, toothpaste champ Colgate-Palmolive will experience its most serious brush with competition when Patel launches his low-priced people's tube.

The market may hand Karsanbhai victory, defeat or stalemate, but one thing is certain: he has earned his place in the big league. The Nirma success story is, of course, the stuff marketing folklore is made of. The man himself is a legend in his lifetime. But the inexorable logic of success leads Patel to seek greater heights, and more space in the consumer's shopping basket.

"No one can achieve all his ambitions fully," admits Patel, but that does not stop him from trying. Realising that he is fast approaching the limits to growth in the small sector (the Nirma group of companies has a sales turnover of Rs 360 crores), Patel has chalked out ambitious plans to graduate into the organised sector of industry.

The launch vehicle will be Nirma Pvt. Ltd., which has already secured a clutch of letters of intent to set up plants to manufacture distilled fatty acids (for toilet soaps), glycerine, synthetic detergents and alfaolefin sulphonate (AOS, an ingredient for detergents). Awaiting final sanction ("a mere formality") at the time of writing was Nirma's Rs 150 crore project for putting up a linear alkyl benzene (Lab) plant near the Visakhapatnam refinery. Also in the works are plans for a Rs 250 crore soda ash unit. Since Lab and soda ash are the crucial raw materials for detergents, by the early nineties Patel will be presiding over a detergents empire that has complete backward integration. The group's turnover target is around Rs 800 crores by the turn of the eighties.



NIRMA'S GROWTH URGE
(Production in tonnes)

Source: Nirma
* Includes detergent cake (11,785 tonnes in 1986 & 112,738 tonnes in 1987)

Before that, however, there can be many a slip between the cup and the lip. The reason: Nirma is passing through a period of transition that will test Patel's capabilities to the limit. The next three to four years will transform Nirma from a single-product operation within one state to a multi-product, geographically diverse corporate entity. Further, there will be a shift from low-tech (or no-tech) to high-tech, from the small sector to the big, and from the private to the public domain.

But looming above all these factors is the threat of keener competition in his own backyard: detergents. "What competition?" asks Patel dismissively. "There is no competition. There can't be when the gap between No.1 and the next competitor is so great," he observes, apparently referring to the 3:1 lead that Nirma has over its closest rival Hindustan Lever in detergents. In 1987, Nirma produced over 4.4 lakh tonnes of synthetic detergent powder and cakes as against Hindustan Lever's 1.35 lakh tonnes.

Patel's confidence is rooted in fact. In a total synthetic detergent market of 8 lakh tonnes, his market share is well over 50% and, what is more, his growth rate (30%) has been well above the industry's average of 15% per annum. Since the Planning Commission conservatively expects the market to grow to at least 11.14 lakh tonnes by 1990, it is certain that Nirma will be able to sell all that it will produce.

REGIONAL RIVALS

Market shares, however, will be vulnerable to strong regional rivals as well as counterattacks from the big battalions. The phenomenal success of Nirma has given birth to hundreds of would-be Karsanbhai Patels across the length and breadth of the country in the small sector. In and around Ahmedabad, the detergent capital of India, scores of manufacturers have sprouted and many of them are on their way to making their mark (see box p.46).

Shreeji Chemicals, a small-scale unit promoted by Amritbhai Patel, is one of them. He expects to haul in a turnover of a neat Rs 19 crores in the year to October 1988 from his Vimal brand of washing powder and detergent cakes. Mahendra Vyas of Keti Chem India is another entrepreneur who chalked up sales of over Rs 10 crores in the past financial year (ended 31 March).

Detergent units are mushrooming elsewhere too. In Bombay, Adhunik Detergents, a small-scale outfit that is part of the Adhunik Synthetics group, claims to have attained a Rs 10 crore turnover barely 10 months after being launched in August 1987. The target for this year is Rs 30 crores. In Uttar Pradesh, perhaps the biggest market for detergents in the country, a brand called Plus, launched by a former Hindustan Lever executive, has carved out a substantial niche for itself.

Stronger and older regional brands are also flexing their muscles. Narayan Soap Factory, which has two plants in and around Ahmedabad, has secured a market for its Hipolin detergents. Similar is the case with the Tamil Nadu-based Pon Vandu detergent brand.

If the small sector is exerting pressure upwards from the lower end of the markets (these brands are usually cheaper than Nirma), the latter is also facing stronger competition from the majors who have begun to move downmarket in an effort to chase volume. Hindustan Lever, in particular, has launched a full scale price war with

NIRMA DETERGENT FACTORIES IN AND AROUND AHMEDABAD: ZOOMING SALES

"I DON'T WANT ANYBODY'S MARKET SHARE"

Karsanbhai Khodidas Patel, the 44-year-old progenitor of Nirma, will avoid the press if he can. But once ushered into his presence, he is most forthcoming. In a wide-ranging, 30-minute interview with BusinessWorld, Patel talked about his plans for Nirma, his competitors and his success formula, among other things. Excerpts:

- **On the secret of his success.**

Proper quality at the proper price and low margins. My margins are barely 3%-4%. So far the multinationals have profited at the cost of the common man. I don't do that.

- **On his competition.**

What competition? There can't be (competition) when the gap between No.1 (Nirma) and the next competitor is so great.

- **On Hindustan Lever's competing products, including Wheel and Breeze.**

Their quality is not good. Wheel has 10% insoluble matter which is left (as residue). They are selling it below cost, especially if overheads are taken into account. Even Breeze is not of good quality. It has only 60% of TFM (total fatty matter). Our soap (Nirma toilet soap) has 76% TFM, which is closer to Lux (in quality).

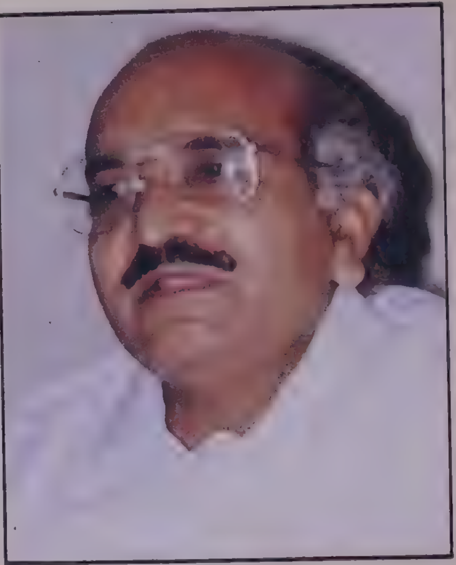
- **On whether he sees Lever's price-cutting as a threat.**

Let them do what they want. There is no immediate threat. They have tried many things but it has not affected me. They launched Sunlight (a detergent cheaper than Surf) and Wheel. But the fact is, they may be cutting into their own market. Consumers may be moving from Surf to Sunlight to Wheel.

- **On how he proposes to guard his market share.**

In detergent powder and cake, my share must be around 50%-55%. The industry is growing at the rate of 15% annually, but Nirma's turnover is rising by 30%-40%.

In any case, I have always expanded the market in the products I have launched. I'm not after anybody's market share. Even in the case of Hindustan Lever, their production of detergents is higher compared to 1975 levels. I may only have taken away some of their growth by educating people on the use of detergents.



- **On his new toilet soap.**

Our toilet soap, which is being test-marketed in select cities in Gujarat, is doing very well. To launch it nationally, it will take another year. Production on a large scale will begin shortly.

- **On why the national launch has been delayed.**

A toilet soap cannot be launched fast (like a detergent). It is a personal product.

- **On his proposed toothpaste.**

It is being tried out. The technology for it is fully Indian.

- **On whether all his future products will be called Nirma.**

As of now, that is the idea. But if in future it is necessary to have different names for products, we can change. Then, only the company will be called Nirma.

- **On whether he will franchise the Nirma brandname.**

No. With our stress on quality we cannot allow others to manufacture under our name.

- **On advertising.**

We advertise only after we launch a product. Only when we have the market do we feel the need to advertise. Advertising just tells the people that a product is available. If ads alone can sell a product, why should Hindustan Lever worry? They are heavy advertisers.

- **On his linear alkyl benzene (Lab) project.**

We will be using UOP technology. When we get going, it will take three years to complete. The entire licensed capacity (60,000 tonnes) will be used by Nirma. Our needs will be 70,000 tonnes by then.

The project is awaiting final cabinet sanction, but that is a mere formality. It will be set up by Nirma Pvt. Ltd., which will go public. I will keep 30%-40% of the equity.

- **On government.**

So far, we didn't need the government. No licences were needed. But in future we have to deal with them.

- **On whether he employs contract labour.**

We have 10,000 employees. We have fixed work norms for them, so nobody has fixed working hours. If they finish their work, they can go home.

- **On employing professional managers.**

It is better to keep in touch with things directly. That way you don't have to depend on reports. You can also take decisions on the spot. Of course, as a company grows you need more people (managers).

its Wheel detergent, which falls bang in the Nirma range (see Corporate Combat, BW 8-21 June 1988, p.55-57).

Even though Lever is still to make a success of Wheel, Patel smells a rat. "They are selling below cost, especially if overheads are taken into account," he alleges. A top Lever functionary, however, rejects this charge: "Excluding launch costs, which anyway tend to be high in the beginning, Wheel is priced correctly."

Patel, however, has reason to be wary of Lever because the latter is believed to be mulling over lower cost options in detergent manufacture. Even as Nirma is in the process of graduating into the organised sector, Lever is moving in the opposite direction: it is considering the transfer of some of its detergent production to smaller units with lower overheads.

Lever has transferred substantial chunks of production to subsidiary or leased companies like Stepan Chemicals in Rajpura (Punjab), Union Home Products in Mangalore (Karnataka), and a Rajkot (Gujarat)-based unit called Sunrise. In toilet soaps, Lever is farming out jobs to ancillary packing units in Chinchwad and Aurangabad in Maharashtra, and in Bangalore. It is obvious that all these actions will have the net effect of shoring up Lever's competitive position vis-a-vis Nirma.

To understand this threat in its proper perspective, it is necessary to delve into Nirma's own success formula. Factors that worked in Nirma's favour in the past may either diminish in importance or disappear altogether as the company grows bigger.

BIG ADVANTAGES

The biggest advantage that Nirma may have to forgo is in excise duty, which currently is a hefty 26.5%. Thus far, Nirma's excise obligations have been kept low by the mere fact that it has been operating in the small sector and that too without power. (Detergents can be prepared by mixing the ingredients by hand.) To add to this advantage, the canny Karsanbhai is believed to have floated a clutch of separate companies to produce the Nirma brand under licence so that each of them can derive the maximum advantage in terms of excise rates (small units are exempt from duty for turnovers up to Rs 15 lakhs and get concessional rates for output in excess of that but below Rs 75 lakhs).

Patel's move into large-scale manufacturing, however, will lose him this advantage, though it is a fact that he had already lost much of it following the central government's decision last year to withdraw excise concessions for branded products that are manufactured in the small sector under licence.

The low rate of sales tax on detergents in Gujarat has been another plus factor in Nirma's favour. Gujarat levies a rate of only 1% (versus 6% in Maharashtra) and this means that Nirma, whose six plants are all based in that state, enjoys a price advantage over units in the other states. But the growth of strong regional rivals has neutralised much of this advantage since the tax handicap of the rivals is counterbalanced by lower transport costs. Says Sushil Kumar Kanoria, a director of Adhunik Detergents: "Transport costs work out to 50-70 paise per kg of detergent depending on the distance from the manufacturing point. That is why we are setting up manufacturing plants that are closer to our markets." Nirma isn't doing that and could thus face stronger market challenges on the price front in the future.

To be sure, the stronger positioning that Nirma enjoys in the mind of the consumer could well outweigh all these minuses, but if one were to look away from the tried and tested area of detergents and consider the multi-crore Lab project in Visakhapatnam, Patel emerges as an unknown quantity. There can be legitimate doubts about whether his hands-on direct approach to management that worked so well in a single-product, small sector ambience is suited to a modern, more automated manufacturing industry.

Currently Patel visits his plants almost every other day. At Nirma's administrative headquarters on Ahmedabad's arterial Ashram Road, a small sales cell monitors sales of the detergent on a day-to-day basis and Patel is kept regularly posted on this. The management is top-light, with administrative and managerial jobs accounting for a mere 200 people in an organisation that has something like 10,000 employees. The decision-making is thus highly centralised.

"We may have to expand the management strength, but the basic competence is there"

Girish Mehta

Director, Nirma Management Services

But Patel doesn't think that is any handicap. "It is better to keep in touch directly. That way you don't have to depend on reports. You can also take decisions on the spot." Girish Mehta, a cost accountant and director of Nirma Management Services Pvt. Ltd., does not agree that the company's move into Lab will pose a managerial problem. "We may have to expand the management strength, but the basic competence is there. For example, the feasibility report for the Lab project was done in-house."

FREEDOM CIRCUMSCRIBED

Even if Nirma proves equal to the challenges ahead, it will find that its freedom of operation will be circumscribed in the future. For two reasons. Once Nirma Pvt. Ltd. goes public next year to raise money for the Lab and other projects, it will suddenly find itself coming under the harsh glare of public and shareholder scrutiny. The other reason is that Nirma can no longer escape the clutches of the Monopolies and Restrictive Trade Practices Act (MRTP Act).

Both by virtue of commanding a dominant share of the detergent market and in terms of the huge investments being made in the new projects, Nirma will sooner or later be considered an MRTP company. That means licences for expansion and new projects will be that much more difficult to come by. For that very reason, Nirma

Nirma
TOILET SOAP
Nirma
TOILET SOAP

TOMORROW'S HOT CAKES

will have to do what any other big industrialist has to do: lobby in Delhi. Patel admits as much. Says he: "So far we didn't need the government. No licences were needed. But in future we have to deal with them."

Patel, however, is not daunted. In the first place, he has come this far only because he has ignored conventional management advice and found his own ingenious solutions to problems.

Take, for example, his basic approach to the detergent market. The general advice of management pundits would be to go upmarket because that's where the margins one, Karsanbhai took the opposite road and created a whole new market.

With hindsight it can be said that in a low-income country like India, price will always be a factor in product acceptability. Even Hindustan Lever didn't see the possibility till Nirma beat them to it.

And then again, it is conventional wisdom that advertising creates a market. Karsanbhai doesn't think so, and in his own way has proved it. He never advertises a product before it is marketed and distributed. The advertising begins only when a product has been established. At that stage, advertising has a multiplier effect on sales. In the case of his toilet soap, which is still being test marketed in Gujarat, Patel does not expect to stabilise the product for a year. So there is no advertising. It will be introduced all over the country over the next few months. "Advertising just tells the people that a product is available. It cannot sell a product," he says.

Patel has no time for market research too. Then how does he pick winners? His answer is deceptively simple: proper quality at the proper price with low margins. "I have no need for market research. I only do market research to test quality."

Patel apparently sets great store by a strong distribution network. He keeps close contact with all his 300-and-odd agents in the districts and cities who are given sole selling franchises in their territories. All agents have direct access to Patel and every year a jamboree is held for the agents and he himself presides over it. The agents play a crucial role in Patel's scheme of things since they ensure financial discipline. They supply stocks to retailers every fortnight and at the time of replenishment, the retailer has to present a predated cheque for dues payable. The effective credit period thus works out to 15 days and Nirma, as a result, never has cash flow problems. This is one reason why the company has never had to rely on borrowed funds.

It is Patel's sharp trader instincts that have given him the edge so far in the battle of the market. Shrewdly, he has also not attacked anyone's market directly. In detergents, he has not robbed Hindustan Lever's premium market. What he has done is stolen the lower end of the market that Lever did not see. In toilet soaps, the organised sector manufacturers have learnt from the lesson Karsanbhai taught them in detergents. Both Lever and Godrej Soaps have launched low-priced soaps (Breeze and Lifebuoy Personal in the case of the former and Vigil in the case of the latter) to guard their flanks. Will Patel still outflank them?

And coming shortly thereafter is the bigger battle for the toothpaste market, which will be fiercely guarded by Colgate-Palmolive. According to Nirma sources, their toothpaste is also mint-based like Colgate's, but will be priced much lower. That battle will, more than anything else, determine whether Karsanbhai Patel has lost any of his entrepreneurial oomph.

EMERGING CHALLENGERS

Nirma started it all. The name that launched a million packs of detergent has also launched a thousand entrepreneurial ambitions. In little shacks and large sheds, in the deep hinterland and urban agglomerations, in the tiny cottage sector and in large megacorps, detergents are suddenly the hottest business to be in. "Nirma, I think, has really opened up the market," observes P. Swaminathan, chief executive of Detergents India, a Shaw Wallace associate.

Entrepreneurs have rushed in to seize the opportunity. Throughout the eighties, detergent units have been multiplying like green leaves in spring, and Ahmedabad has developed as the hub of this industry. Such has been the phenomenal growth of units in this industry that turnover reaches the crore mark in no time at all. Joitarambhai K. Patel, a former Nirma man, launched his own show in 1984. In the four years since then, his Bharat Chemical Industries has chalked up a sales figure of Rs 4 crores. Patel, who has two plants making detergent in Ahmedabad, claims to be the only small unit to have the ISI mark on his products. "At the moment, 60%-70% of my product is sold in Gujarat. In due course, I hope to cover all the major states," he says.

LIQUID
DETERGENTS

It's not going to be easy because other regional producers too have hit upon the idea. Among them is Adhunik Detergents, which has hit the expansion trail with a vengeance. Barely a year old in detergents, the Adhunik group has already put up units in three locations — Jalgaon in Maharashtra, Raipur in Madhya Pradesh and Varanasi in Uttar Pradesh. "We will put up units in as many states a possible," says Sushil Kumar Kanoria, director. Given this scorching pac of expansion, it comes as no surpris that Adhunik is already talking of tripling the first year's turnover o Rs 10 crores in 1988-89.

Thinking big. The existing units ar also talking growth. Narayan Soa

Factory (NSF), which markets the Hipolin range of detergents, is perhaps the biggest of the small sector giants and is thinking big. "I expect our present annual turnover of Rs 29 crores to double in five years," says an optimistic Bhupendra J. Shah, one of the five brothers behind NSF. With two detergent units under its belt (one in Ahmedabad and another some 25 km away), NSF has been advertising on TV in a biggish way to make its presence felt on the national scene. NSF spends around Rs 65 lakhs on advertising, the bulk of it on television, even though its products are sold primarily in only four states — Uttar Pradesh, Bihar, Madhya Pradesh and Gujarat.

Television advertising is probably one trick all would-be Nirmas have learnt from Karsanbhai Patel. Many manufacturers are earmarking 2%-3% of turnover for advertising in the apparent hope of achieving a quantum jump in sales.

Amritbhai Tulsidas Patel, managing director of Shreeji Chemicals Pvt. Ltd. and its associate concerns, has an ad budget of Rs 60-70 lakhs on projected turnover of Rs 19 crores in the year ending 31 October 1988. Last year, when sales totalled Rs 16 crores, his ad budget was also lower at around Rs 50 lakhs. Amritbhai, who markets detergents under the Vimal brandname, has two manufacturing units in Ahmedabad and another in neighbouring Mehsana district. He is apparently a great believer in following the Nirma success formula. Apart from his preference for TV advertising, his Vimal washing powder packet carries a logo similar to Nirma's picture of a little girl.

HIPOLIN FACTORY IN SANAND, NEAR AHMEDABAD & (INSET) BHUPENDRA SHAH: FAST GROWTH

Nirma's 'little girl' has become so synonymous with detergent that many manufacturers look on it as a short-cut to achieving sales volume. Says Mahendra Vyas, managing partner of Keti Chem India, an Ahmedabad-based detergent manufacturer: "We keep getting this feedback from the market channels that if our product were to be packed in the popular way (i.e. like Nirma, complete with the 'little girl' design on the packet), it would sell more. From August 1988, therefore, about half our detergent powder production will be launched under a new brand name and packed along 'popular' lines."

Joining 'em. Apparently, Vyas is one of the umpteen manufacturers who are discovering that if you can't beat 'em, join 'em. "To launch our product and establish it as something different," says Vyas, needed too much effort — an effort which he felt was not worth the while with his meagre ad budget of less than Rs 60 lakhs a year. Compare that with Nirma's war-chest of Rs 7 crores and it is not difficult to see why Vyas chose to throw in the towel. In the year ended 31 March 1988, Keti Chem sold Rs 10 crores worth of detergent, including cakes. Having decided to join the Nirma bandwagon, Vyas can obviously set his sights much higher this year.

The smaller fry with zero marketing clout, on the other hand, have had absolutely no qualms about hitching their bullock-carts to Nirma's jet engine. Nirma look-alikes and Nirma seem-alikes have entered the detergent markets. In Karnataka, for example, there are detergents called Nipma, Nisma and Nirmala. Apparently, having an 'N' at the start of the name and an 'a' at the end is a surefire formula for higher sales. "In the rural areas, you can get away with it. Product names sounding similar to Nirma and lettered in the same way help a lot," observes Mohammed Niyamathulla, proprietor of the Bangalore-based N.S. Detergents.

Niyamathulla, whose family has been in the business of manufacturing oil-based washing soap for over three decades, has abjured the path of copying Nirma. But the Nirma effect is visible in a different way as far as he is concerned. With the chemical detergent market opened up by Nirma, Niyamathulla has seen the writing on the wall and moved in that direction. Some three months back, Brindavan Soap Factory, his family concern, began manufacturing and marketing detergents under the 'Hand' (cake) and 'Double Five' (powder) brandnames.

"Our products have not clicked, though they have done a shade better in the rural areas compared to the urban," confesses Niyamathulla. The reason: "We found that the overwhelming presence of Nirma is not a

WASHING PRODUCTS DEMAND

('000 tonnes)

Year	Total demand	At 50:50 ratio Synthetic detergents	Washing soap	At 60:40 ratio Synthetic detergents	Washing soap
1990	2,227	1,113.5	1,113.5	1,336	891
1991	2,376	1,188.0	1,188.0	1,426	950
1992	2,535	1,267.5	1,267.5	1,521	1,014
1993	2,705	1,352.5	1,352.5	1,623	1,082
1994	2,886	1,443.0	1,443.0	1,732	1,154
1995	3,080	1,540.0	1,540.0	1,848	1,232
1996	3,286	1,643.0	1,643.0	1,972	1,314
1997	3,507	1,753.5	1,753.5	2,104	1,403
1998	3,741	1,870.5	1,870.5	2,245	1,496
1999	3,992	1,996.0	1,996.0	2,395	1,597
2000	4,250	2.125.0	2.125.0	2,550	1,700

Source: Planning Commission estimates

NIYAMATHULLA: SUCCESS ELUSIVE

little on account of its advertising."

Small players like Niyamathulla, who sells about Rs 40,000 worth of detergent per month, are thus condemned to survive on little bites of the rural market. "Entry for the newcomer is extremely difficult, whether for detergent cake or powder. This is one of the toughest consumer markets going. There is no guarantee that even the best thoughtout promotional strategy will work," says Utpal Ganguli, divisional manager of Shaw Wallace's consumer products division. Ganguli should know. Despite the best efforts of Shaw Wallace, its top-selling detergent cake Chek commands a market share of no more than 3%. Even Hindustan Lever's Wheel, the multinational company's downmarket challenger to Nirma, hasn't achieved much of a breakthrough at the national level. Its market share, despite a phenomenal ad blitz, is still at the wrong end of single digits.

Indicative trend. But that has not stopped new hopefuls. It is not difficult to see why. Even at a conservative estimate, the demand for synthetic detergents is expected to top 11.14 lakh tonnes by 1990, assuming that the washing powder market divides equally between synthetic detergents and oil-based laundry soaps. But the trends in 1987 and 1988 indicate that synthetic detergents are already emerging as the preferred medium both in view of their washing efficiency and because of the difficulties faced by laundry soap units in obtaining the necessary oil-based raw materials.

At a 60:40 ratio between synthetic detergents and other washing soaps, the demand for the former could be a whopping 13.36 lakh tonnes. And this explains the lure of the detergent market for big and small players. Says Ganguli of Shaw Wallace: "The market is a very large one and it has its attractions for marketers despite price and entry barriers."

Shaw Wallace, which markets two brands of detergent cakes (the upmarket Regal and the cheaper Chek) manufactured by associate company Detergents India, has sales of nearly Rs 20 crores from these two products. It is in the process of marketing yet another brand called Star, which is directly in the Nirma price range (price: Rs 1.60 per cake).

The Andhra Pradesh-based Detergents India has a production capacity of 10,000 tonnes per annum. "Till a year ago, we were operating at 50% of capacity. Now we are using 100%," says P. Swaminathan, chief executive. Swaminathan reckons that he is No.3 in the business after Nirma and Hindustan Lever. "Considering the difficulties in the marketplace and the turmoil internally (the uncertainties following the Chhabria takeover of Shaw Wallace), our consumer products division hasn't done badly at all," he concludes.

Although Shaw Wallace still has big-league ambitions in the detergents market, others are more intent on creating strong regional niches for themselves. Tuticorin Alkali Chemicals & Fertilisers Ltd. (TAC) is one of them. A major producer of soda ash — an important raw material in the manufacture of detergents — TAC is well-placed to take on the big guns through forward integration. TAC will shortly be taking this process further by acquiring an acid slurry (a detergent input) and detergent cake unit in Pondicherry.

Regional player. "We will probably be the only detergent manufacturers to have in-house facilities for soda ash and acid slurry," says B. Balachandran, joint general manager (marketing) of TAC. TAC has already successfully launched its Super Chase detergent powder in Tamil Nadu and Kerala and hopes to spread to Andhra Pradesh and Karnataka in due course. (Currently it is available in a few towns only in the latter two states.) Unlike other big companies, however, TAC proposes to stay a regional player. "We have no ambitions of entering the national arena and are content with concentrating on the four southern states," declares C.V.S. Mani, vice-chairman and managing director of TAC.

VYAS: IMITATION HELPS

Why? "Economies of scale, not in production, but in marketing in terms of media expenditure, distribution, etc., will become vital in the near future. In a few years, competition will narrow down to a few manufacturers at the national level and some strong regional manufacturers," says Mani. He obviously expects TAC to hold its own in the southern region. "If Nirma can afford to go national, TAC can afford to go regional," argues Mani.

Surendra Bhagchandani, managing partner of the Ahmedabad-based Ranjit Chemical Industries, however, would prefer to operate on a national scale. Bhagchandani, who came to India during partition from his native Sind, nurtures ambitions similar to Nirma's. Even though his company started making detergent cakes only last year, he has plans to get into liquid detergents, toilet soap, shampoos and toothpaste as soon as possible. Bhagchandani aspires to a national presence despite the fact that his products are currently sold in a big way only in Gujarat, Rajasthan, Madhya Pradesh and Uttar Pradesh. He considers Nirma to be his main competitor and claims that his detergents are superior to his rival's product.

Adhunik Detergents is another outfit in search of a national image. But it has taken a different route. It is setting up manufacturing plants closer to its markets to cut transport costs. To its existing three units (mentioned earlier), Adhunik is planning to add a fourth at Rudrapur (Nainital, UP). Compared to the geographical spread of the Adhunik plants, which gives them a 50-70 paise cost advantage per kg of detergent in terms of reduced transport cost, Nirma has all its units in Gujarat. The only other company with plants in different states is Hindustan Lever.

Will the emerging regional brand and regionally dispersed productio facilities of some manufacturers neutralise some of Nirma's massive lea today? That is a Rs 1,000 crore question.

■ *R. Jagannathan*

(With additional reports from Seema Saxen in Ahmedabad, Chandu Nair in Madras, Raghavan in Bangalore and Sujoy Gupta Calcutta)

ALLWYN NISSAN

MARKING TIME

The worst seems to be over for Allwyn Nissan, the joint venture between Hyderabad Allwyn and Nissan Motor Co. of Japan. It is engaged in the manufacture of 'Cabstar' light commercial vehicles (LCVs). However, shareholders should not expect any return on their investment for the time being.

Demand for LCVs, which was very poor, has now started picking up. The total sales of Cabstar vehicles during the year ended June 1988 have almost doubled from 1,010 vehicles achieved in the previous year, i.e. 1986-87, to over 2,000 vehicles.

Although the accounts for the year ended June 1988 are under audit, and will take some time before finalisation, it is reported that the sales turnover has crossed Rs 35 crores and the company has earned a nominal profit, in striking contrast to a loss of Rs 2.90 crores in the previous year. However, there has been a nominal loss at the net level.

BARODA RAYON

SMART TURNAROUND

There are good tidings for the shareholders of Baroda Rayon Corporation (BRC), a well-known manufacturer of synthetic yarn, which had skipped dividend last year (1986-87) because of heavy losses. The company is reported to have staged a smart turnaround during the year ended 30 June 1988 and there are bright prospects for it re-entering the dividend list.

During the 18-month period ended June 1987, the company had suffered a net loss of Rs 5.67 crores (in striking contrast to a net profit of Rs 4.98 crores in the previous year), because of a sharp rise in the overall capacity and production of synthetic yarn. This, in turn, was attributed to the liberalised licensing policy. The company, in line with other units in the industry, had to nurse huge stocks of unsold material and accept a substantially lower price realisation in the wake of cut-throat competition.

However, the scenario has gradually improved for the industry during the past year. The government has extended several duty concessions which have proved highly beneficial to the yarn industry from the financial point of view. This has helped BRC to turn the corner.

Although the accounts for the year ended 30 June 1988 are under audit and it will take at least three months before they are finalised, it is reliably learnt that the sales turnover during the year 1987-88 has reached the Rs 200 crore mark as compared to Rs 215 crores in the previous 18-month period.

GACL

GOOD TIDINGS

The sales turnover of Gujarat Alkalies and Chemicals Ltd. (GACL), the Gujarat-based manufacturer of caustic soda, will swiftly cross Rs 100 crores for the first time in the 15-year history of the company during the current year ending 31 March 1989.

The company's caustic soda plant, the largest in the country, has been utilising its installed capacity, of 1,03,425 tonnes per annum optimally, and the chloromethane plant, which was set up two years ago, has achieved around 85% capacity utilisation. As imports of caustic soda have been shifted from open general licence (OGL) to the list of canalised items, the demand for the product has picked up smartly.

If the actual performance during the first quarter this year (April to June 1988) is any indication, the company's sales and profits will advance by at least 25% during the current year (1988-89) as compared to last year.

Prospects for the coming years are all the more encouraging. GACL has entered into a technical collaboration with Uhde GmbH of West Germany, whereby it will receive the energy efficient membrane cell technology to manufacture caustic soda. This will improve profitability.

Companies this fortnight

(Rs. crores)

	Baroda Rayon (year ending June)			GACL (year ending March)			Allwyn Nissan (year ending June)		
	1984	1985	1987 *	1986	1987	1988	1985	1986**	1987
Sales	126.43	136.92	215.65	54.90	70.00	85.00	—	26.03	16.54
Gross profit	8.32	12.57	2.01	9.10	6.61	10.56	—	−3.10	−2.90
Paid-up capital	12.14	12.14	12.14	8.93	8.93	10.72	—	16.54	16.54
Reserves	19.13	21.96	18.05	12.95	24.78	26.10	—	3.43	7.15
Gross fixes assets	73.76	84.05	111.41	76.78	84.70	85.20	—	18.71	18.93
Dividend (%)	15.00	18.00	Nil	26.00	26.00	26.00	—	Nil	Nil
Earnings per share(Rs)	28.30	41.00	– 46.70	4.66	4.18	2.41	—	2.06	2.22
Paid-up value (Rs)	100.00	100.00	100.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on 7 July, 1988 (Rs)			235.00			44.50			8.00

* For a period of 18 months ** For a period of 15 months

SUNDARAM FASTENERS

AWARDS GALORE

Sundaram Fasteners has achieved better results during the year ended 31 March 1988. The turnover of the company increased by 19% over the previous year, and the profit before tax by 9.9%. The directors have decided to maintain the dividend at 25%, provided the financial institutions nod approval.

The company's turnover this financial year was Rs 56.53 crores as compared to Rs 47.41 crores last year. The gross profit before interest and depreciation increased to Rs 8.81 crores from Rs 8.52 crores. Interest charges were lower at Rs 3.72 crores, as against Rs 3.85 crores last year.

The disposable surplus increased from Rs 2.79 crores to Rs 2.99 crores after taking into account Rs 40.04 lakhs brought forward from the previous year. Like last year, dividend will absorb Rs 79.72 lakhs.

The directors have transferred Rs 66.60 lakhs to the investment allowance reserve, Rs 45 lakhs to the debenture reserve and Rs 65 lakhs to the general reserve. The balance left in the kitty — Rs 43.25 lakhs — has been carried over to next year.

The company's Krishnapuram unit achieved national acclaim this year when it secured the national productivity council's award for the best productivity performance for 1986-87 in the automobile ancillary industries sector. The company was also awarded the company standardisation commendation award by the Institute of Standard Engineers and the best employer-employee relations award by the Rotary Club of Madras.

USHA MARTIN

ALL-OUT FOR EXPORTS

Usha Martin Industries'(UMIL) chairman B.K. Jhawar has announced that the company is going in for exports on a massive scale this year, with this year's estimates pegged at Rs 10 crores (*cf* Rs 7.5 crores in 1987). Where overall performance is concerned, the company's turnover in the first five months of 1988 has been 15% higher than in the corresponding period of the previous year, and profit prospects too are brighter. Last year's cashflow was disturbed as a consequence of non-payment by government organisations — which are UMIL's major customers — as government resources had to be made available for drought relief operations. Jhawar is optimistic about the monsoons this year, which will undoubtedly improve the government's resource position. UMIL's first consignment of 12 cables of wire ropes will be delivered for the Hooghly Bridge project by September this year, and the final consignment will be completed by July 1989.

KUDREMUKH

'ORE' SOME EXPORT ACHIEVEMENT

Kudremukh Iron Ore, the Bangalore-based public sector outfit, has had a good year. Its exports during 1987-88 climbed to Rs 77.62 crores, up 25% from last year's level. That is heartening news, particularly when one recalls the hassles the company faced after its exports to Iran ran into rough weather.

K.K. Rao, Kudremukh's chairman, told shareholders recently that "in three years (1985-88), the value of exports has gone up three times." This was achieved despite a decline in India's share in the world iron ore market, he added.

Other landmarks of the year were crossing the four-million mark in the production of iron ore concentrate, and a capacity utilisation of 53%. Kudremukh now exports its ore to Turkey and Indonesia, which brings the number of importing countries to nine, as against two just four years ago.

The company's major grouse is the rising freight costs, which tend to push up exporting costs. It has been urging the government to upgrade the capacity of the Mangalore Port, so that it can handle bigger ships quickly. And its pleas may just be heard, considering that they come straight from the horse's mouth.

RAO: EXPORTING MORE ORE

MARUTI

NEW MODEL

Maruti Udyog will shortly sire a new version of its existing "People's car." The Union cabinet has approved the project, the total cost of which is estimated at Rs 96 crores. Suzuki has already raised its equity stake in MUL from 27% to 40%. So Suzuki will contribute $16.4 million of the foreign exchange requirement of $35 million.

According to company spokesmen, the indigenous content of the new car will be 70% and production is slated to commence by 1990-91. In the first year of operations, MUL plans to produce 10,000 cars and raise it to 30,000 in three years' time. Meanwhile, MUL's Gypsy, the petrol-driven jeep, is facing a lot of problems. Customers have failed to endorse the product, preferring Mahindra's diesel jeep. Now reports are trickling in that the Gypsy has been modelled on the Suzuki Samurai jeep which was found "not acceptable" in the US. Accident avoidance tests conducted in the US proved that due to design flaws, the Suzuki Samurai has a tendency to turn turtle when navigating turns at 40 mph. The high centre of gravity combined with the small wheel base and its light weight have made it accident-prone.

R.C.Bhargava, managing director of MUL, defends the Gypsy by saying that although the jeep has been modelled on the Samurai, some major design changes were introduced, such as a wide wheel-base and lower centre of gravity.

METTUR CHEMICAL

SATISFACTORY PERFORMANCE

Despite restricted power availability in Tamil Nadu the Mettur dam-based chemical company, Mettur Chemical & Industrial Corporation has turned out satisfactory results. Turnover for the year ended 31 March 1988 has risen by 26.7% to Rs 38.88 crores (Rs 30.68 crores). However, gross profit (defined by the company as profit before depreciation, machinery lease rent and interest) has shown a satisfying increase by 58.3% to Rs 6.53 crores (*cf*. Rs 4.13 crores).

A heartening feature is that this also represents a higher percentage of turnover — 16.8% — compared to the previous year (13.4%). However, profit before tax could only be maintained at the same percentage of turnover (3.4%) though there was an increase of 26.9% over the previous year to Rs 1.32 crores (Rs 1.04 crores). This was because interest rose by 49.1% to Rs 2.49 crores (Rs 1.66 crores), depreciation by 100% to Rs 1.44 crores (Rs 0.72 crores) and machinery lease rent by 81.4% to Rs 1.27 crores (Rs 0.70 crores). Dividend has been maintained at 12%. Meanwhile, the company's implementation of its refrigerant gases project is proceeding on schedule and commercial production is slated to commence during the latter half of the current year.

CHEMICALS & PLASTICS

MORE LARGESSE

The shareholders of the Madras-based Chemicals & Plastics India have been rewarded with a 1:1 bonus issue in the 25th year of the company's existence.

Their cup of joy further brims over with the decision of the board to hike the dividend to 25% (*cf*. 15% last year). The results for the year ended 31 March 1988 are highly satisfying in terms of turnover and gross profit (before interest, depreciation and machinery lease rent increases). Turnover has risen by 41.9% to Rs 52.14 crores (*cf*. Rs 36.74 crores), while gross profit has risen by 82.3% to Rs.10.70 crores (Rs 5.87 crores). Gross profit as a percentage of turnover has shown an increase to 20.5%.

However, profit before tax has shown only a marginal increase of 5.7% to Rs 2.71 crores (*cf*. Rs 2.57 crores) and, as a percentage of sales, has fallen to 5.2% (7%). This is because interest has risen by 130% to Rs 4.83 crores (*cf*. Rs 2.10 crores) while depreciation too has increased considerably by 159.2% to Rs 3.11 crores (Rs 1.20 crores).

SYNTHETICS & CHEMICALS

SILVER JUBILEE BONUS

Synthetics & Chemicals Ltd. has chalked up good financial results for the year ended 31 March 1988. According to the Bombay-based synthetic rubber manufacturer's unaudited balance-sheet, net profit leapt 334% to Rs.4.01 crores as against Rs 1.20 crores for the 18-month period ended 31 March 1987. Sales crept up to Rs 99.26 crores (*cf*. Rs 90.50 crores) in spite of lower production of 29,404 tonnes (*cf*. 31,565 tonnes). The management has declared an interim dividend of 21% which includes a bonus dividend of 3% during the company's silver jubilee year.

ORKAY

ALL'S WELL, THANK YOU

Everything seems okay at Orkay. In fact things are getting better. For the year ended March 1988, sales turnover has increased 12% to Rs 166 crores (*cf*. Rs 148 crores). Gross profit flowing into the company's coffers was Rs 25.87 crores (a 56% increase over last year's figure of Rs 16.56 crores). After providing for interest, depreciation and tax, the net profit is Rs 10.12 crores, a 29% jump (*cf*. Rs 7.85 crores).

The convertible debentures rights issue of Rs 16.8 crores was oversubscribed. Also, the management has opened its non-convertible debenture issue of Rs 32 crores on a rights basis.

UNION CARBIDE

MAINTAINS DIVIDEND

UNION CARBIDE

UNION CARBIDE PLANT: PROFITS DIP

Union Carbide India has suffered a setback in its working for the year ended 25 December, 1987. The directors have maintained the 12% dividend, absorbing Rs 3.91 crores. Total sales during the year were lower by 8% at Rs 197.90 crores primarily due to the shutdown of the Chembur unit as a consequence of non-availability of the chemicals and plastic products. But sales from current ongoing operations increased by Rs 9.42 crores. While pre-tax profit declined to Rs 6.03 crores in 1987 (*cf*. Rs 10.84 crores in 1986), profit after tax also decreased to Rs 3.53 crores (*cf*. Rs 5.01 crores in the previous year).

PT Ispat Indo, Indonesia
Nippon Denro Ispat Limited
Ispat Alloys Limited

And now

Ispat Profiles India Limited

ISPAT

The common denominator
THE ISPAT SPIRIT

"We have state-of-the-art technology and the finest facilities available; but, we feel our greatest competitive advantage is the ISPAT SPIRIT which has developed our fast-paced, intense and enthusiastic approach to satisfy our customers and shareholders. This spirit will fuel our future growth."

Production already commenced.
Your investment earns from day one.

- ★ Pioneering promoters – wide experience in steel and allied industry in India and abroad. Have earlier promoted successful ventures like PT Ispat Indo, Nippon Denro Ispat Limited (NDIL) and Ispat Alloys Limited (IAL).
- ★ Promoters' philosophy of rewarding shareholders – good appreciation and return in NDIL and IAL shares from the very first year of operations.
- ★ And now Ispat Profiles – amongst the world's most sophisticated and cost efficient steel mill complex with technology from DANIELI of Italy.
- ★ Rs.144 crore project with micro-level sophistication – already commenced operations ahead of schedule.
- ★ High value-added product range – Rails, H-Beams, Structurals, Stainless steel sections, Alloy Steel Products and other tailor made Profiles ensure higher contribution.
- ★ H-Beams and Rails to substitute imports.
- ★ Orders for substantial value already in hand.
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- ★ 80CC and other tax benefits
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☐ **India's only Private Sector plant to produce RAILS**
☐ **India's first Universal Mill to produce H-BEAMS**

Issue of 2,15,70,000 Equity Shares of Rs.10 each for cash at par

Issue opens for :
Non-Resident Indians : 6th August, 1988
Indian Public : 9th August, 1988

ISPAT

ISPAT PROFILES INDIA LIMITED
Park Plaza, 71 Park Street, Calcutta 700 016
Fax : 91 33 297396, Phones : 29-4395/4314
Telex : 021-2897/2810, Works :– Sanaswadi
Taluka : Shirur, Dist : Pune (Maharashtra)

Managers to the Issue

SBI Capital Markets Ltd

The Industrial Credit and Investment Corporation of India Ltd
Merchant Banking Division

Industrial Finance Corporation of India
Merchant Banking Division

Grindlays Bank plc
Merchant Banking Division

J.M. Financial & Investment Consultancy Services Pvt. Ltd.

Bank of India
Merchant Banking Department

Advisors to the Issue

Indian Bank
Merchant Banking Division

Computech International Ltd
Calcutta

ISPAT PROFILES. Changing the profile of Steel

PRESSMAN

NEW PROJECTS

- Refurbished, sophisticated medical equipment such as CT Scanners will now be marketed by **Killick Nixon**. This diversification has been undertaken in collaboration with the Chicago-based Linc Equipment Services Inc., which is a well-known refurbisher and marketer of medical equipment.

Refurbished equipment is actually another name for secondhand equipment. As the latest medical instruments are priced beyond the reach of many who use them, companies like Linc buy two or three year old equipment from institutions which can afford to replace it regularly. Thereafter, it is overhauled and marketed at substantially lower prices.

- Process control systems are soon going to be manufactured by the Bangalore-based **Yokogawa Keonics Ltd**. (YKL). Promoted by a triad of companies — the Karnataka State Electronics Corporation, Blue Star and the Yokogawa Electric Corporation, Japan — YKL's product range will include the Centum distributed and YS-80 single loop process control systems.

NEW PRODUCTS

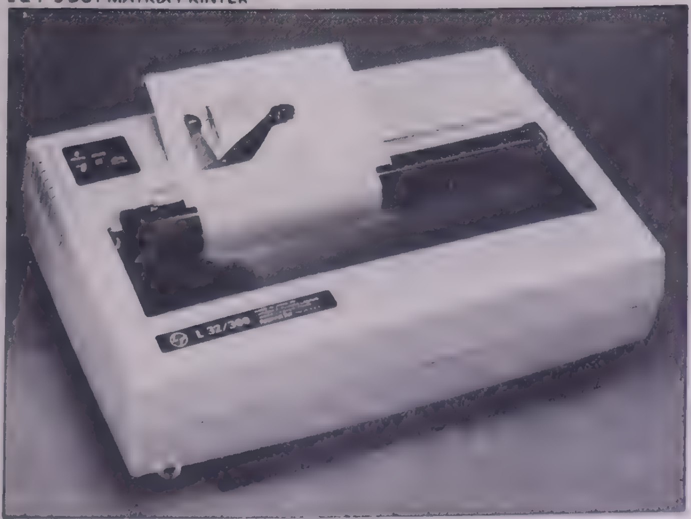
- Manufactured in India by **Kores (India)** with technical collaboration from Kleindienst Datentechnik GmbH, West Germany, the Kores Kleindienst CD-01 cheque encoder has received an excellent response from the country's banking industry. The product has passed the highest standards for accurate magnetic ink encoding of cheques set by the Reserve Bank of India.

- **Mukand Iron & Steels** is launching Supersteel, a 'dual-phase' steel whose tensile strength is 33% greater than the conventional metal.

Vinod Shah, deputy chief executive of Mukand Iron, recently said that Supersteel would yield a saving of nearly 25% in raw material consumption. Trial production started early this year. Builders, apparently, have welcomed the new product.

- Two new models of high speed dot matrix printers have been launched by **Larsen & Toubro**. Branded the L32/300 and S32/300, they have been manufactured in collaboration with Honeywell Bull Italia SpA. Print speeds up to 300 characters per minute can be achieved on these 132-column printers.

L & T 'S DOT MATRIX PRINTER



- The Biocine Company, a joint venture of **Ciba-Geigy** and the Chiron Corporation, US, has developed a vaccine against AIDS. Aimed at stimulating the body's defences on several fronts and strengthening the immune systems, the first studies using this vaccine are currently being conducted in Geneva, Switzerland.

NEW SCHEMES

- Centralcard holders of the **Central Bank of India** are now entitled to a discount of Rs 200 on the premium payable for the Mediclaim scheme which has a coverage limit for hospitalisation up to Rs 60,150. Card holders of affiliated banks such as the Vysya Bank and the United Bank of India, are also eligible for this offer. Tax benefits on the premium paid are also available under s.80(D) up to a sum of Rs 3,000.

ANUROOP SINGH (LEFT) AND B. RATNAKAR SIGNING A MOU

- Indians travelling abroad can now pick up American Express facilities from **Canara Bank** branches. Both the American Express Cards and Travelers cheques will be available at Canara Bank counters. The international financial services company recently signed a Memorandum of Understanding (MoU) with the Indian bank in New Delhi to this effect.

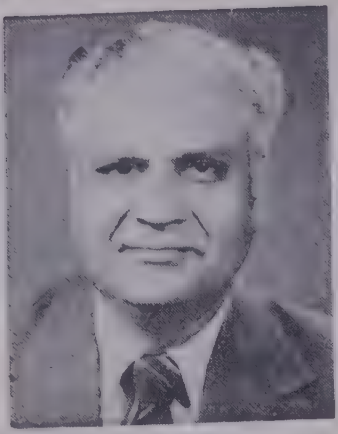
In another agreement, Canbank Financial Services has joined hands with Rashtriya Chemicals & Fertilisers to jointly promote a new company which will specialise in factoring.

AWARDED

- For the third consecutive year, **Modi Rubber** has bagged the prestigious All India Rubber Industries Association Award for 1987-88. With exports worth Rs 15.97 crores, the highest among all India tyre manufacturers, Modi Rubber has also recently been awarded the National Export Award from the ministry of commerce and industry.

REOPENED

- The lockout at **Bajaj Auto**'s Aurangabad division has been lifted. A charter of demands was agreed to by the management whereby the workers get a wage hike, which was the major point of dispute



Deposits, Profits Reach New High

Excerpts from the speech of Shri J.S. Babel, Chairman, The Bank of Rajasthan Ltd. at the 45th Annual General Meeting of the Shareholders held at Udaipur on 16th June, 1988.

'It was to the credit of the national leadership that the Government succeeded in harnessing the resurgent will of the people to stand up to the tribulations and to remain united.'

DEPOSITS

'The deposit growth of 17.34% was not only an improvement over the deposit growth achieved by the Bank in the previous year but also higher than the average deposit growth for the banking industry.'

PROFITS

'The net profit of the Bank amounting to Rs. 91.95 lacs reflects a rise of 33.9% over the net profit of Rs. 68.67 lacs for the previous year.'

PRIORITY SECTOR

ADVANCES

'In the year 1986 the Bank had achieved the national target of financing to priority sectors and this performance was improved upon during last year when the total advances to priority sectors amounted to more than 41% of the net advances.'

Performance at a glance (Rs. in lacs)

Particulars	1986	1987	Particulars	1986	1987
LIABILITIES			**ASSETS**		
Capital & Reserves	2,82	3,61	Cash & Balances with Banks	113,80	137,30
Deposits	441,35	517,87	Investment	141,03	172,96
Borrowings	19,35	12,72	Loans & Advances	217,89	231,67
Bills Payable	7,79	8,08	Other Assets	18,96	20,50
Other Liabilities	20,37	20,15			
	491,68	**562,43**		**491,68**	**562,43**

Income-Expenditure (Rs. in lacs)

INCOME			**EXPENDITURE**		
Interest & Discount	41,22	47,39	Interest paid on Deposits, Borrowings etc.	28,97	34,13
Commisson Exchange & Brokerage	4,27	5,19	Salaries & Allowances	12,24	13,12
Other Receipts	81	79	Other Expenditure	4,40	5,20
			Net Profit	69	92
	46,30	**53,37**		**46,30**	**53,37**

The Bank of Rajasthan Ltd.

Regd. Office: UDAIPUR Central Office: JAIPUR

PINKCITY

HONG KONG

TRADER MOVES

"We are all groping our way to 1997," said David Gledhill, referring to the uncertainty facing the traditional British hongs — traders — during the nine years before China assumes sovereignty over Hong Kong.

The big four hongs — Jardine Matheson, Swire Pacific, of which Gledhill is chairman, Hutchison Whampoa and Inchcape Pacific — have grown up and flourished on the "barren rock" since the Royal Navy, at the behest of Britain's opium traders in the mid-19th century, seized Hong Kong from China. Now powerful multinational empires with diversified business interests, the hongs are potent symbols of Hong Kong's capitalist spirit, synonymous with its rise as a global trading power. Their investment decisions are accorded microscopic attention by the local media and stockmarket, which sift their manoeuvres for updated "confidence" readings.

Jardine Matheson's 1984 bombshell, when the "princely hong" moved its incorporation to Bermuda, sent the stockmarket into a tailspin, and shaved more than 10% off the hong's share price.

Chronic anxiety. That is now a distant memory of the chronic anxiety afflicting the territory during negotiations between Britain and China on Hong Kong's future. Repeated assurances from China that Hong Kong's prosperity and stability must be maintained appear to have assuaged even the nervous Jardine camp's fears.

The hongs are, nonetheless, acutely aware that Hong Kong's political landscape is rapidly changing; that in future years they will need more than ever before to be fast on their feet. They face increasingly stiff competition from big locally controlled companies, as well as from mainland traders such as China Resources, Everbright Industrial and China Merchants.

The hongs began repositioning for the future several years ago. Cathay Pacific Airways, Swire's airline subsidiary, sold 22.5% of its equity to the public in 1986 in a move designed to strengthen its claim to being Hong Kong's airline. Fledgling Dragon Airlines, controlled by shipping baron Sir Yue-kong Pao was then trying to expose Cathay's British ownership to gain traffic rights for itself.

Last year, in recognition of the fact Cathay will in future need the support of Peking to gain air traffic rights, Swire sold a 12.5% stake in Cathay to China International Trust & Investment Corp. (Citic) the Peking-backed financial concern.

"Citic is a voice with close contacts with the (Chinese) leadership, a countervoice to whatever CAAC (China's national airline) is doing," said Gledhill. Analysts feel it is inevitable that Citic will in future take a bigger stake in Cathay. Gledhill, noting that Citic originally wanted a bigger stake, doesn't rule that out. Citic's move into Cathay was seen as a crushing blow for Dragonair.

While Swire and Jardine remain predominantly British concerns, Hutchison Whampoa has since 1979 been controlled by Li Kashing, the territory's most dynamic entrepreneur. With ownership firmly in the hands of a local Chinese, Hutchison appears to face fewer adjustment problems than the British concerns. But Li has, nevertheless, trumpeted his group's confidence in, and commitment to Hong Kong, backing that with the HK$40 billion-worth of investments during the past four years.

Investment & commitment. "To be seen to be investing in Hong Kong is good for our future relationship with China. Investment is one of the keys to our future. No investment — you can kiss this place goodbye. Investment, commitment — and both sides have got a long way to run," commented Simon Murray, Hutchison's managing director

GLEDHILL: GROPING AROUND

The question whether the British-controlled hongs — traders — can retain their prominence under Hong Kong's post-1997 administration still remains

MURRAY: INVESTMENT IS THE KEY

While Jardine remains unapologetic for the "insurance policy" it took out in 1983 with its move to Bermuda, the princely hong maintains it is in Hong Kong for keeps. "We have always been here, and we are here to stay," said Martin Barrow, a director of Jardine, Matheson & Co.

Though cynics accuse the Jardine camp of slowly selling down its Hong Kong businesses during the past 10 to 15 years, the group points to the recent purchase of additional shares in its huge property subsidiary, Hongkong Land, from a consortium of local predators led by Li, as evidence of its faith in the future.

While Jardine Hutchison & Swire are no longer purely trading companies — each has a substantial property portfolio — Inchcape has in recent years moved back to its roots as a marketing and services company.

When, as a result, Inchcape sold its Worldwide House headquarters a few years ago, it was immediately accused of lacking confidence in Hong Kong. Shrugging that off as almost inevitable in sensitive Hong Kong, Paul Cheng, executive director, says the group sees huge potential for developing its business in Hong Kong and with China.

Inchcape's two-way trade with China now totals HK$1.1 billion annually. "China is very important not only to Hong Kong, but to Inchcape as well. Looking at the future, one needs to focus on developing a strategy for Hong Kong and China. We are now doing that." Cheng sees Inchcape, and perhaps the other hongs, increasingly helping China to increase its exports.

The question remains, however, whether the British-controlled hongs can retain their prominence under Hong Kong's post-1997 administration. Few people deny the hongs have in the past benefitted from close links with the colonial administration. Even now government critics say the "one Hong Kong airline, one route" aviation policy is a clear example of gross favouritism towards Swire and Cathay Pacific.

"As Hong Kong comes under local management, I expect that local companies would benefit more from, than the hongs," said Cheng. Murray acknowledges that having a Chinese chairman is a huge advantage for Hutchison's business dealing with China. The Chinese government "will come to us before they will go to more British-orientated companies," he said.

The British hongs are not too concerned by this. They feel that China's commitment to maintaining Hong Kong's international characteristics will act as a buffer against excessive favouritism. "China has gone out of its way to assure us that it is absolutely essential that British companies remain a substantial part of Hong Kong," said Gledhill.

■ *Kevin Hamlin*

(By special arrangement with the Financial Times, London.)

TYRE COMPANIES

RACING FOR SUPREMACY

Faced with stagnating tyre sales in the US and Europe, the world's major tyremakers are increasingly looking to markets in Asia to maintain sales growth.

On the one hand, US and European companies are trying to break the Japanese stranglehold on its home market, which is second in size only to the US. On the other, international tyremakers, including the Japanese, are turning the rest of East and Southeast Asia into a battleground as they try to strengthen production bases and exploit the region's growing demand.

The stakes involved are large, as global sales in 1986 — the last year for which full statistics are available — amounted to $34.4 billion (Rs 46,440 crores). Asia represented the fastest-growing segment of the market.

Outside Japan, a market itself worth ¥1,134 billion (Rs 12,259 crores) in the same year, the Asian market is dominated by wholly owned or joint-venture equivalents of the world's big three producers — Goodyear Tire & Rubber Co. of the US; Groupe Michelin of France; and Japan's Bridegestone — or by local companies using their technology.

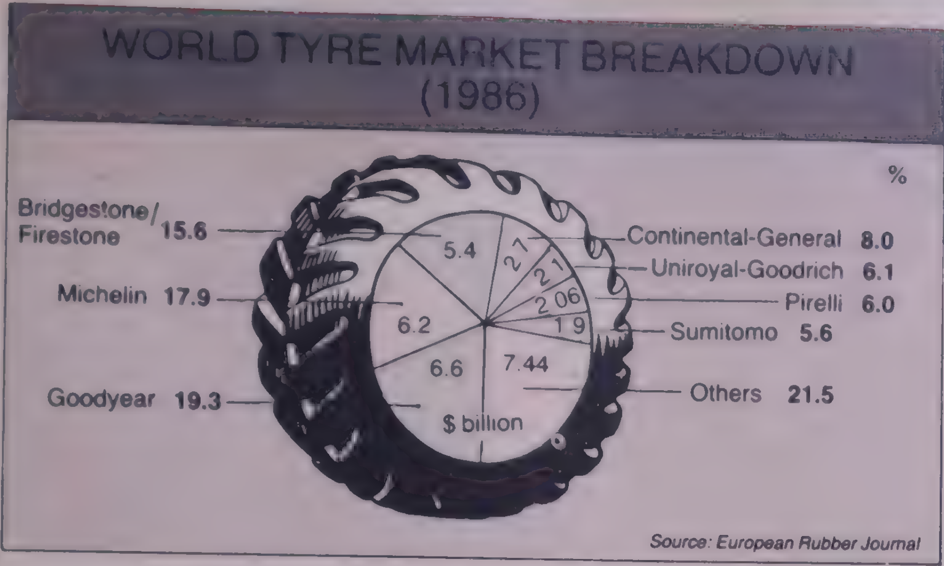
Concentrated industry. But by any measure, the industry is highly concentrated. The big three companies collectively control a commanding 53% of the world market. The market share of each of these three companies easily outpaces those of their main competitors. About 85% of non-communist world tyre sales are controlled by 10 companies, of which three are Japanese.

Japan offers the biggest potential rewards for western tyremakers but also presents obstacles like complex distribution networks

Bridgestone joined the top three with its April takeover of the US major, Firestone. The deal brought headlines to the normally staid tyre industry, especially when the Italian tyremaker Pirelli made a last minute grab for the US company. Beyond the high stakes corporate drama involved, the contest for Firestone signalled the wideranging shakeout now gripping the industry.

Bridgestone's willingness to pay $2.6 billion (Rs 3,510 crores) for Firestone reflected its determination to establish a strong presence in the US market, which accounts for some 34% of world tyre sales. With Japanese carmakers projecting US-based production of 2 million cars a year by 1990, the US market is all the more crucial for Bridgestone.

The company already had a secure base in its home market, plus strong production operations in Taiwan, Thailand and Indonesia. It also has active sales offices in most other


WORLD TYRE MARKET BREAKDOWN (1986)

Source: European Rubber Journal

countries in the region. But Bridgestone — considered by industry analysts a conservatively run company — had been late getting into the US.

The Milan-based Pirelli had to settle for the far smaller Armstrong Tire Co., which it bought for $196 million (Rs 265 crores) in early June. Having secured an increased US market share, Pirelli's next step, according to a company official, will be to look for ways to strengthen its presence in Asia. The region now accounts for only 8% of the company's sales. Options would include taking equity stakes in or technical agreements with local companies.

Increasing globalisation. The recent takeover activity underlines the increasing globalisation of the tyre industry. It has become essential for the few dominant companies to have localised sources of supply in each region. Otherwise, heavy shipping costs and currency fluctuations can knock a company's products out of contention. Steep tariff barriers in many countries make imports prohibitively expensive.

Japan, accounting for 14.4% of worldwide sales, offers the biggest potential rewards for Western tyremakers. But it also presents tough obstacles. The problem is not tariffs but rather the difficulty foreign companies have in penetrating complex domestic distribution networks.

The big Japanese tyre producers make formidable competitors. Bridgestone, which started using Goodyear technology in the 1950s, now claims a 50% share of the domestic market and accounts for 45% of Japan's tyre exports.

Its nearest rival is Yokohama Rubber, with 18% of the domestic market. Yokohama has long-standing technology links with US tyremaker B.F.Goodrich which last year merged with another US concern, Uniroyal, to form Uniroyal-Goodrich.

Sumitomo Rubber Industries, the third-ranking Japanese tyremaker, early on established technology-licensing relations with UK-based Dunlop. Then several years ago, in yet another demonstration of rising Japanese corporate ascendancy, Sumitomo bought 85% of Dunlop, formerly one of the world's leading tyre manufacturers. Besides six Dunlop factories in Western Europe, Sumitomo also took over Dunlop's technology-licensing links with leading Malaysian tyremaker Dunlop Malaysia Industries Bhd(DMIB), part of Malaysia-based multinational Sime Darby.

> *The recent takeover activity underlines the increasing globalisation of the tyre industry*

Limited presence. Most European and US tyremakers have managed only a limited sales presence in Japan. Michelin, however, has established itself as the leading imported brand. Its sales have risen more than 70% in the past five years to over 3.5 million last year. Michelin says it now holds 8% of the Japanese market for new car tyres.

Despite its relative success in achieving sales in the tough Japanese market, Michelin has been weak in sales elsewhere in Asia. It has lagged far behind its chief rivals, especially Goodyear, in establishing production facilities around the region.

With the importance of the Asian market growing by the day, Michelin adopted a catch-up strategy. "We want to be present in Asia at a level commensurate with our global sales, and for that we need to produce as well as sell in this market," said a Michelin official. In May, the company announced plans to set up its first production facility in Japan, a car-tyre joint venture with Okamoto Industries, the smallest of the major Japanese tyremakers. Michelin is to put up 51% of the capital for the new venture, which will be called Michelin Okamoto Tire Corp.

The new company will take over an existing Okamoto factory in Gunma, north of Tokyo. The facility's production capacity should double to 6 million tyres a year by the second half of 1990. The link with Okamoto will also enable Michelin to double its present 700 sales outlets in Japan.

The Japanese move was Michelin's third in the region. In October 1987, Michelin began production in South Korea in a 50:50 joint venture with Woosung Industrial, the smallest of three major South Korean tyre manufacturers.

In December, Michelin also joined with Siam Tyre of Thailand to form a joint-venture operation, to be called Michelin Siam Co., that will produce radial car tyres under the Michelin trademark. The deal came as a vivid demonstration of the complex weave of international linkages coming to characterise the industry. Siam Tyre is 80% owned by Siam Cement Co., one of Thailand's blue-chip diversified business groups. The remaining 20% is held by Firestone, which has been taken over by Bridgestone. Siam Tyre, which makes its own tyres using Firestone-licensed technology,

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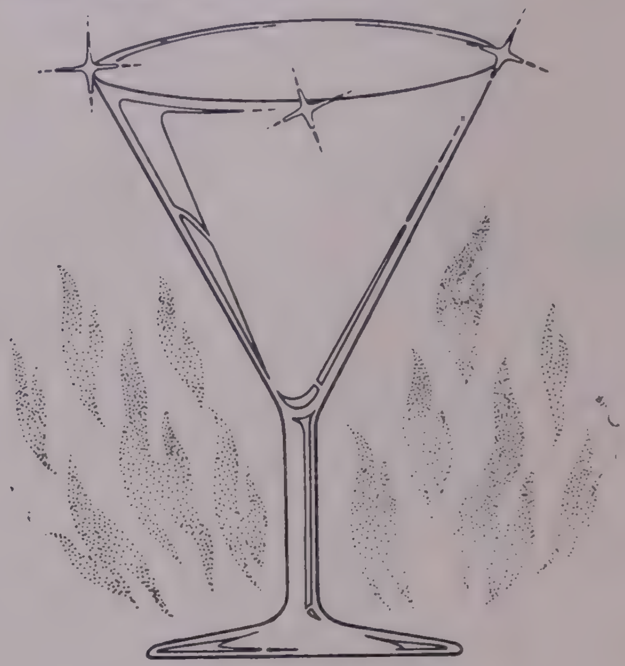

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will distribute the tyres to be made by Michelin Siam Co.

Advantageous link. Despite the seeming confusion, the Siam Tyre link should prove advantageous for Michelin. Not only will it help the French company penetrate the highly protected Thai market, but it will provide a base for exports to the region. The new plant at Lam Chabang on the Thai eastern seaboard is expected to go into production by the end of 1989. Some 40% of the 1.5-2 million tyres a year output will be sold locally.

South Korea has the largest tyre industry in Asia outside of Japan

Michelin was not the only foreign company to be attracted to the South Korean tyre market. In mid-March, Goodyear won government approval for a 100% foreign-owned car tyre facility. Under the terms of the agreement with the South Korean government, Goodyear will export all its output for the first four years. According to company officials,25% of the output will be sold as original equipment for South Korean cars destined for export.

Production is expected to begin in 1991, with a yearly capacity of 3.2 million tyres. Goodyear has been supplying imported tyres to Hyundai, the leading South Korean carmaker, for some time.

South Korea has the largest tyre industry in Asia outside of Japan. The key factor behind this has been the stunning success of its vehicle-export programme, which is on track to ship more than 1 million cars this year.

The Japanese are playing a bigger role in Taiwan, another market which offers promise for the future. Bridgestone's 80%-owned subsidiary on the island already commands 32% of the domestic market, the largest single share. The third-largest local tyremaker, Federal, has a technology-licensing agreement with Sumitomo, while Nankang Rubber Tire is 15% owned by Yokohama.

Malaysian industry. Malaysian planners have also pinned their hopes on creating a car-export industry. Despite the scant progress to date, the Proton car has provided a sturdy growth engine for the local firms. DMIB, the biggest local firm, makes 2,000 car tyres a day, and supplies half the tyres for the Protons. The other half are supplied by Goodyear Malaysia, a 51-49 joint venture between Goodyear and Amanah Saham Nasional, the Bumiputra Investment Trust.

Malaysia is the homeground of Sime Darby, the only regional company outside Japan with tyre-production facilities in more than one country. In Malaysia, it controls both DMIB and IT International, both of which manufacture Dunlop-brand tyres.

In the Philippines, it controls just over 56% of Sime Darby Pilipinas, which until 1981 was controlled by B.F.Goodrich. The company's output of some 730,000 car tyres a year sells under B.F.Goodrich and Sime Darby brand names. A US $14.35 million (Rs 19 crores) modernisation programme recently launched by Sime is intended to allow the plant to start production of steel-belted radials by March 1989 and raise production by almost 50%.

The rest of the market is controlled by Goodyear Tyre and Rubber of the Philippines, which has been operating in the country since 1919, and Philtread Tyre and Rubber, formerly majority-owned by Firestone. Philex Mining Co. bought a majority stake in 1981, and Firestone's share has fallen to 25%.

■ *Carl Goldstein*

(By special arrangement with the Far Eastern Economic Review*).*

BRAZIL

ENTREPRENEURS: SPLITTING HEIRS

A century ago, two immigrants set up shop in the same southern Brazilian town. Within decades these two men, Francesco Matarazzo and Antonio Pereira Ignacio, had founded two of Brazil's greatest industrial dynasties.

The reason Brazil has become an industrial power is partly because of men like Matarazzo and Pereira Ignacio. The entrepreneurial tradition persists to this day. The country's largest bank, TV network, construction group, distillery, supermarket chain and car parts company, to mention a few, are still run by their ageing founders.

"The predominance of powerful family companies is as much a weakness as it is a strength," says Joao Bosco Lodi, a management consultant. "Their founders are men of great intuition and leadership who know their businesses inside out." But as a rule, they do not encourage ambitious executives. This matters, because entrepreneurs own so many of Brazil's major companies. "Managers in a family business know that their careers are limited by autocratic owners and their heirs. So, talented but frustrated managers tend to move on, leaving a vacuum that is often filled by the less talented," says Lodi.

Domineering fathers. Neither do many Bazilian magnates groom their heirs. Paulo Possas, once a senior executive in a now-defunct family company, says: "Heirs suffer from a domineering father who demands more from them than they can possibly deliver and yet they forbid their children from competing with them."

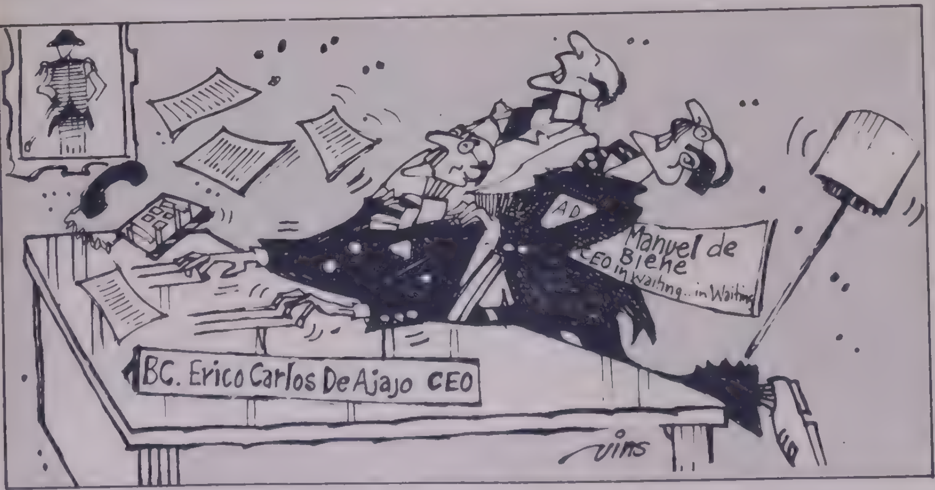
Management consultants and the more enlightened owners of family companies have invested large quantities of money and energy in dealing with the twin problems of succession and administration in family businesses. Yet there is still a real concern at the prospect of a generation of great entrepreneurs dying or retiring in the coming years.

Bom Bril, a Sao Paulo company which claims to be the world's biggest maker of steel wool, almost collapsed on its founder's death. It was only after Roberto Ferreira Sampaio, a former scrap merchant, died in 1981 that his son, Fernando, could take over and fire 300 managers.

Now, after a thorough management overhaul and the establishment of peace between the brothers, the company is thriving once again.

Recommendations. Roberto Maluf, who executed the management overhaul at Bom Bril, says one of his first recommendations was "to make the executives accountable. Before, they were not accountable to anyone."

Commenting on the frequent refusal of ageing Brazilian entrepreneurs to relinquish power, Joao Bosco Lodi notes that "control of a company bestows bargaining power and financial and political credit. Great wealth does not."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Roberto Teixeira da Costa, president of the Brasilpar investment company, points out that Brazil's capital markets are underdeveloped. This discourages private companies from going public and diluting their founders' power. Renato Bernhoeft, another management consultant, says: "I have seen companies prefer the prospect of ruin rather than go public."

Yet even when a company does go public, it is not enough to foster a managerial culture. Under Brazilian law, a company can issue two preferred shares for every one ordinary share. This means that an entrepreneur can maintain control of the board with just 17.3% of a company's capital. In many public companies, executives remain beholden to the founder or his heirs, not the shareholders.

There are exceptions. Amador Aguiar, 84, founded in 1943 and still runs Banco Brasileiro de Descontos (Bradesco) Brazil's biggest bank. For years, he has been transferring his stock to a foundation and the bank's directors. After one false start, he has sought out and groomed a successor, Lazaro Brandao.

Most Bradesco directors have risen through the ranks before reaching the boardroom. Brandao entered the bank 42 years ago. All employees are inculcated in the bank's austere culture — so austere, that they are discouraged from drinking or smoking. Not even board members have their own office. They all work at the same long table.

Industrias Votorantim, the industrial conglomerate founded by Antonio Ignacio Pereira in 1918, is now Brazil's largest privately-owned group. Its success is due in large measure to the energy of Ignacio Pereira's heirs and the company's efficient executive corps. It has already begun preparing the fourth generation to take over the family business, currently run by the brothers Jose and Antonio Ermirio de Moraes — grandsons of the founder — who are in their sixties. They have put their sons and nephews in key positions in various subsidiaries. They hold monthly brainstorming sessions to develop new ideas and defuse premature sibling rivalry.

Leadership battle. All the same, many consultants expect the succession at Votorantim will not be smooth. No heir apparent has been selected and they expect the battle for leadership among the 14 family members in the company to be disruptive and long drawn out.

The historic trend among private companies in Brazil is not encouraging. They usually begin declining after the third generation. Teixeira Costa feels that as the economy grows and becomes more sophisticated the pioneering role of powerful entrepreneurs — a common phenomenon in developing countries — will decline. "Globalisation of the economy and Brazil's need to compete in a global economy will require huge amounts of capital," he says.

To survive, the entrepreneur must seek out foreign partners or take his company public. Ultimately, he must surrender total control. Jose Ermirio de Moraes of Votorantim, who will be 62 in November, is due to retire this year. He recognises that in the end, full control must slip from the family's hands. He told *Gazeta Mercantil*, a local business paper, that the third generation is numerous "and the tendency in the future is to divide the shareholdings. Because of this, the company will have to go public."

However, Brazilian entrepreneurs are undeterred by the pressures faced by the large dynasties and, indeed, the decline of second and third-generation family companies is feeding a new generation of entrepreneur. Maria Pia Matarazzo is arduously rescuing from collapse the company founded by her grandfather Francesco Matarazzo by selling off some of its assets. The Vicunha group, a family-owned business which is now the largest textile group in South America, has grown fast by buying up declining family businesses and turning them around.

Yet the management problem never seems to go away. Consultants note that one of Brazil's largest and, until recently fastest-growing, electronics group is notoriously badly-managed. Its founder, owner and president habitually hires highly-paid executives to reform the deeply indebted company, only to override their orders.

■ *John Barham*

(By special arrangement with the Financial Times, London).

BACK-SEAT VIEWING

A video system that allows passengers to watch movies and cartoons of their choice on 3-inch colour TVs has been introduced on a Boeing 747 by US-based Northwest Airlines on its Detroit-Tokyo route. If popular, this will be introduced on other aircraft and routes.

Airvision Inc., a joint venture of Warner Bros. and the Dutch multinational Philips, supplies the TV sets to Northwest Airlines. The TVs, which are embedded in the back of the seat just ahead, can be viewed free by executive class travellers, but cost $4 per flight for regular fare passengers. Qantas & British Airways too, will introduce the mini-TV service very soon. And marking video's move into the jet age, coming soon is a small-screen computer game unit built into a seat tray table.

FLYING IN FORMATION

Australia's international airline Qantas is making a bid to purchase a stake in Air New Zealand, that nation's state-owned international carrier. Qantas' chief executive John Menadue believes that the two airlines are "natural partners and a link-up would bring economic benefits to both countries."

The New Zealand government expects to sell at least 25% of Air NZ and is open to offers. British Airways, too, has shown an interest in the acquisition.

Menadue further emphasised that a partnership would also enable the companies to jointly market the South Pacific region which is the world's fastest growing tourist sector. Joining hands would result in improved tourist marketing, an increased ability to counter leading US carriers and the considerable advantages of combining computer reservation systems.

GOING UP, COMRADE

GIVING MOSCOW A LIFT

"Eureka!" or, as the Muscovites would say, "Perestroika." The reason is that state-of-the-art technology has reached its height in Moscow. In a short time, the TV tower in Moscow will boast of the highest and fastest elevator in Europe.

The TV tower is one of the main attractions in Moscow, having had more than five million visitors so far. It is equipped with four passenger and freight elevators which were installed in 1976. Now they are being given a technological boost. When work is completed by end-October, the elevator will be able to travel to the top level of 348 metres in less than a minute.

The elevator's tremendous speed and the height of the building have given some trouble to the design engineers of Siemens AG, the West German multinational, which has been entrusted with the job. With an overall height of 537 metres, the tower is one of the highest structures in the world. Strong gusts of wind bend the tower between 2.6 meters and extreme heat causes the steel structure to expand. Such problems have called for a series of specific design solutions which include complex electronic drive control systems.

THE DRINK'S THE THING

This year Coca-Cola will make massive inroads into China by producing and selling 40 million bottles and cans of the "real thing." What is pleasantly surprising is that many Chinese are prepared to pay 1.5 yuan (about 50 cents) for a Coke, when for the price of 20 cans they could rent a one-room flat in Shanghai for a month! And for a nation with one billion people, expansion possibilities are limitless. But Coca-Cola's present problem is how to increase productivity. In its Shanghai plant, a worker produces only 42 cokes a minute (*cf.* the Milton Keynes plant in Britain, where each worker bottles 385 cokes a minute!)

The increased demand is also aided by the fact that while Chinese vineyards produce drinkable table wines and the French have a number of joint ventures in China, the price of a bottle, at 22 yuans, is too high. The market for wines is limited to connoisseurs who have been successful in the blackmarket.

Seagram, the Canadian bottler, however, believes the market for wine coolers and low-alcohol drinks has great potential. It is promoting a joint venture with a Chinese firm to build a plant near Shanghai. Seagram's initial investment is $6 million and it hopes to sell one million bottles of wine coolers a year.

THEIR 'ARTS IN THE RIGHT PLACE

Philip Morris Co., which manufactured 531 billion cigarettes last year, also enriched cultural institutions such as New York's Carnegie Hall, the Joffrey Ballet and Washington's National Gallery of Art to the tune of $13 million. Recipients of Philip Morris' generosity are unfazed by current campaigns and controversies regarding smoking and health, or by the recent court case wherein a federal jury awarded $400,000 in damages to the widower of a smoker who died of lung cancer.

According to Jay Cooper, a lawyer and former president of the National Conference of Black Mayors, the company's largesse towards the arts "shows that capitalism can do something good for the country." He believes "Tobacco companies have the right to market their products. They ought to be accorded the same fairness as people who sell house plants." This is in spite of the fact that the philanthropy is made possible through the sale of a product linked to more than 300,000 deaths in the US each year

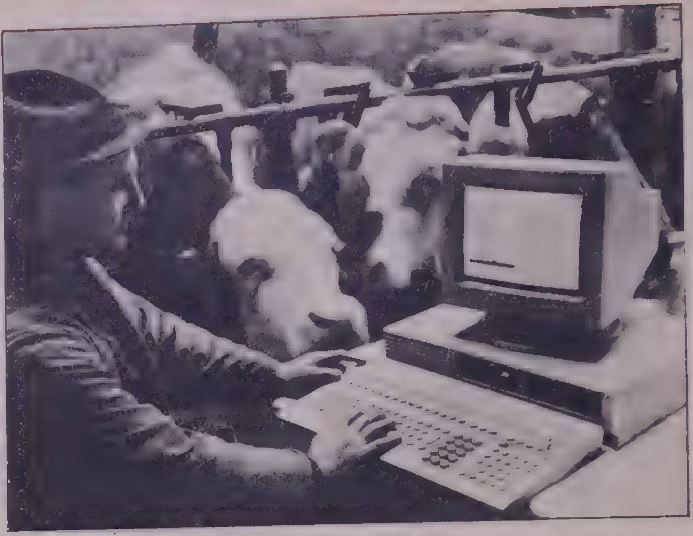
HK'S BIGGEST MARKET

In an "overwhelmingly positive" change for the Hong Kong economy, the Chinese are likely to overtake the US this year as Hong Kong's biggest market in terms of total exports. Every day 9,000 trucks cross into China from Hong Kong while 3,000 Chinese ships visit Hong Kong ports annually.

Hong Kong manufacturers now employ 1.5 million workers across the border in the neighbouring Guangdong province. Thanks to the "crucial labour resources" provided by China, Hong Kong has been able to upgrade its economy, getting rid of low-value, labour-intensive industries and concentrating instead on sophisticated goods and services.

Till 1978, China supplied food to Hong Kong and purchased practically nothing in return. But ever since the open-door policy was introduced in 1978, Hong Kong's exports to China have increased by an average of 91% every year. Based on official figures, China is slightly ahead of the US in terms of providing a market for Hong Kong's exports. This is primarily because the colony served as a base for re-exports of imported goods. However, if only Hong Kong-made goods are counted, then China remains a distant second to the US as a market.

The Chin Tung group of Hong Kong, engaged in stockbroking, predicts that Hong Kong's exports to China this year will total HK $119 billion (Rs. 20,601 crores) *cf.* HK $116 billion Rs 20,082 crores) to the US. The projections include shipments of Hong Kong made goods as well as re-exports.



HI-TECH COWCARE

COMPUTERS & COWS

Farmers in West Germany no longer have to feed their cattle manually. They merely have to feed each animal's "personal biodata" — age, weight, milk-production cycle, food consumption pattern and milk yield — into the computer. The rest is done automatically. When a cow ambles over to the feeding trough, a sensor senses the number on her collar and she is doled out her due.

Jointly designed by Siemens AG and the Institute for Agricultural Engineering, these new agricultural computer systems have numerous applications. They not only control feeding, but also milking. Further developments in design include a built-in weighing and pulse rate and temperature monitoring system. Then, the farmer will promptly know whether the animal is feverish or about to calve.

Optimum dates for sowing, fertilisation and the spraying of pesticides can also be calculated when there is a constant flow of data on humidity and air and ground temperatures. All that is required to avail of this benefit is a computer connection to the weather station.

WINGING WANG

The US Securities and Exchange Commission has charged Stephen Wang, a Wall Street analyst, and Fred C. Lee, a Taiwanese businessman, with amassing $19 million in illegal profits.

Wang, employed in the mergers and acquisitions department of Morgan Stanley & Co., allegedly passed confidential information to Lee, who traded in stocks and options using about 30 accounts. Wang's personal account swelled by at least $200,000, thanks to a grateful Lee who is an international businessman

SEC officials investigating the case described Lee's trading as "brazen and clumsy" and expressed disbelief that 24-year-old Wang had been undeterred by the case of the now-imprisoned Ivan Boesky

Morgan Stanley & Co., which suspended Wang pending resolution of the charges, could even face civil suits from corporate clients and their shareholders if Wang has indeed committed breaches of confidentiality. The firm is "considering legal alternatives."

AN IRRESISTIBLE OFFER

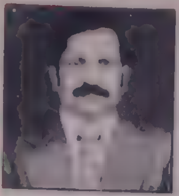
Nestlé's £2.55 billion (Rs 6,375 crores) offer to take over the British confectionery company, Rowntree plc, has been too sweet to resist. The deal has been wrapped up by the Swiss multinational after a two-month long tussle with a very well-known name in chocolates in alpine country — Jacob Suchards of Toblerone fame. The latter's final offer was £2.32 billion.

With the combined annual sales of Nestlé and Rowntree projected at £2.5 billion, the international chocolate market leadership of an American company — Mars Inc. — is going to be seriously threatened now.

Since Rowntree's share prices have soared, Suchards too has minted money. It stands to gain a cool £200 million in profits if it sells its 28.5% stake in the British company, whose Kit Kat and After Eight mint chocolates are universal favourites.

Suchards is not expected to give up its quest to acquire a complementary British company so fast. Its pursuit of Cadbury Schweppes plc is believed to be imminent. Market analysts say that Suchards does not have the financial muscle to take over Cadbury Schweppes. But the Swiss company also has an ace up its sleeve. It is considering the possibility of teaming up with the US-based General Cinema Corporation, which has an 18.4% stake in Cadbury Schweppes.

PEOPLE & PLACEMENTS



B. Baskaran has taken over as chairman of the Karur Vysya Bank. He has also been elected a member of the managing committee of the Indian Banks' Association.

J.C. BHAM has been promoted to the position of company secretary at Otis Elevator Company (India) Ltd.

V.A. SANGHANI, executive director of Gujarat State Fertilizers Co., has been appointed a member of the company's board. He will work as a fulltime director in charge of new projects.

ASHISH SARAF has taken over as vice-president of the Ferro Alloys Corporation.

J.L. PASRICHA is the new commercial director of Motor Industries Co. (MICO). Earlier, he was vice-president (finance) in Rallis (India).

S.P. MANDELIA, senior president of Century Rayon has been re-elected president of the Council of Industrial Safety. He has also been reappointed chairman of the conceptual forum of the Bombay Management Association.

M. PRASAD has taken over as director (finance and financial operations) of Power Finance Corporation. A member of the ICAI and ICSI, he was earlier a director (finance) of the Rural Electrification Corporation.

E.B. UNNI, chief executive of Aspinwall & Co. Ltd., has been re-elected president of the Employers' Federation of Southern India for 1988-89.

RANAJIT MALLICK has been elected president of the Eastern Chamber of Commerce.

S.R. JAIN has replaced V.S. Arunachalam as chairman of the Indian Institute of Metals. He is vice-chairman (projects) of the Steel Authority of India Ltd. (SAIL).

NOSHIR MISTRY, the seniormost general manager of Central Bank of India, has been promoted to the post of executive director of the bank.

M.D. KHANDKE has taken over as executive director of the Calcutta Management Association. Earlier, he worked for Dunlop India

CUSTOMER NON-SERVICE

The banking division of the Union finance ministry and the Reserve Bank of India (RBI) are apparently doing some rethinking on customer service cells. The performance of these cells has not been anything to write home about. This apart, they have been a heavy drain on the resources of banks which have been fighting relentlessly to maintain profitability.

But there is change in the air. The earlier tall talk and propaganda is giving way to steps to improve the motivation and morale of bank employees to render better service to their expanding clientele. Whether they will work is anybody's guess. According to the grapevine, the banking division is taking drastic steps to revitalise the customer service cells with a spirit of new dynamism. The officials of the division no longer want to toe the lines of Janardhan Poojari, the former minister of state for finance, who often abused bank officials publicly. The reason: they were unwilling to throw their banking principles to the wind in disbursing loans to the poorer sections of society on ideological considerations.

But New Delhi seems to believe that motivation and morale are not as important as pumping more money into public sector banks for generating a climate of confidence among bank customers and their employees. This wrong approach notwithstanding, several new schemes have reportedly been drawn up to revamp customer service in banks. There are indications that there might be a total reversal of the earlier policy of stopping the publicity campaign of nationalised banks due to the resources constraint. Banks will soon start a new intensive advertising campaign to create an atmosphere of cooperation and confidence among their customers and employees.

WRONG APPROACH

The very concept of customer service cells for processing the grievances of bank constituents has been based on a wrong approach. Thus, despite the elaborate machinery maintained by the banking division, the flow of complaints has come down to a trickle. Customers seem to believe that complaints will be treated with contempt. Even in their monthly meetings, in which the chairmen or the chief executives of banks are usually present, there are very few customers with genuine grievances or complaints. They do not come to these meetings because the high officials attending them always take a defensive posture and are busy safeguarding the image and prestige of their organisations and protecting bank employees who treat their customers with utter disdain.

Even the customer service cells, which are entrusted with the task of undertaking enquiries about particular complaints, always try to defend the erring banks and their employees. The ultimate complaint, to the secretary to the banking division, is of no consequence because a single official cannot cope with a plethora of complaints.

Seeing the hopeless state of affairs, the banking division recently sent a circular to nationalised banks to intensify their publicity campaigns to "attract more complaints." Accordingly, it advised them to release more newspaper advertisements, commission more large-scale hoardings in busy areas and print more posters. But this is essentially a very simplistic solution. In the new dispensation, banks will spend more money — depositors' money — to publicise the procedures for monitoring the grievances of their customers. Under the original scheme for setting up customer service cells, the banks used to spend an average Rs 1,500 a month in every district to conduct the monthly customer contact programme. There is no certainty that the intensive publicity programme, costing much more, will produce the desired results.

CEILING LIMIT

It is estimated that every bank in the major metropolitan centres will have the ceiling limit on publicity campaigns fixed at anything between Rs 50,000 and Rs 1,00,000. So a colossal sum will be spent on promoting better relations between banks and their customers. The new scheme will be launched on the basis of a survey recently carried out by the Operation Research Group (ORG) to determine the popularity of the customer service cells among bank customers. But instead of going on this splurge, banks should have sought to create a better atmosphere by enforcing discipline and courteous behaviour with customers. The complaints should have been processed in confidence and prompt and decisive action taken in punishing the erring officials and employees.

Instead of going on an advertising splurge, banks should have sought to create a better atmosphere by enforcing discipline and courteous behaviour

Many recommendations of the committee on customer service have not yet been implemented. And instead of concentrating on the implementation of the important recommendations, the banking division is asking banks to indulge in a wild goose chase and squander the depositors' money in the name of better customer service. The banking division, the RBI and banks are out of tune with the times. And it is the depositor who is paying the piper.

■ *A.K. Ganguly*

The author is a former editor of Capital

EXIM BANK LOAN

Another feather has been added to the Industrial Development Bank of India cap. The bank has managed to wangle a long-term loan of ¥ 20 billion from the Export-Import Bank of Japan (Exim Bank). The loan carries an annual interest of 5.3% and is repayable over 20 years. The cash will go towards financing automobile and electronic projects, besides other projects agreed upon by the two banks.

NEW CAPITAL GAINS SCHEME

A new scheme launched by the finance ministry should prove a windfall to banks. Styled the capital gains accounts scheme 1988, it stipulates that taxpayers can avail themselves of exemption from capital gains only if the net consideration (the amount of capital gain) is deposited with a public sector bank before filing their income returns.

Such deposits can be made in two types of accounts. The first, Account A, is similar to the savings deposit account — which means the depositor can withdraw money from time to time. The other, Account B, is in the form of a time deposit account, on which interest is payable cumulatively or non-cumulatively.

The scheme came into effect on 22 June, and should help banks to mop up more deposits. The Indian Banks Association, in a press note, has raised hurrahs over its introduction. But how the taxpayer stands to gain from the new scheme is still unclear.

TOGNI: CLOSER TIES

SBC TIE-UP WITH DSP

Swiss Bank Corporation (SBC), the second largest bank in Switzerland, has decided to strengthen its presence in India. Towards this end, it has signed a cooperation agreement with the Bombay-based DSP Financial Consultants.

Under the agreement, DSP will act as SBC's Indian agents and organise the marketing of SBC's services. In addition, DSP will help SBC execute banking transactions and supply the Swiss bank with information on the economic situation in India.

SBC believes the Indian economy is at the threshold of a spurt in growth and, thus, there exists immense potential for closer cooperation with Switzerland. Alberto Togni, general manager of SBC, who was in Bombay recently, said this spelt opportunities for providing trade as well as project finance.

CAN FIN HOMES GOES TO DELHI

Can Fin Homes, the housing finance company launched by Canara Bank, has made a capital move. On 25 July, it inaugurated its branch office at New Delhi.

The new branch will service the spurt in demand expected in and around Delhi. According to a study, by 1990 the housing gap — the hiatus between the demand for and supply of houses — will be 3 lakh units. In addition, 50,000 houses will be needed to replace dilapidated ones. An annual investment of Rs. 600 crores will be needed to foot the bill.

Can Fin Homes believes it can play a role in all this. Starting out with the Union territory of Delhi, the company will gradually extend its operations to the national capital region, subject to RBI approval. Can Fin will provide long-term capital loans up to a maximum of Rs 3 lakhs. It is also looking out for innovative lending schemes that could bring home the bacon.

7 INDIAN BANKS IN TOP 500

Seven Indian banks appear in a tally of the world's top 500 banks as rated by the London-based magazine, *The Banker*.

The State Bank of India, with total deposits worth $29,879 million and 284,851 employees on its payroll, made it to the top 100 slot. The other Indian banks are the IDBI, the Bank of India, Punjab National Bank, Canara Bank, Central Bank of India and the Bank of Baroda.

Japanese Banks, expectedly, topped the list; they bagged the first six positions. The Number 1 slot was filled by Dai Ichi Kangyo Bank of Tokyo.

AID TERMS HARDEN

The Aid India Consortium, which comprises 13 donor nations and aid agencies, has pledged $6.3 billion of aid to India for fiscal 1988-89.

At a meeting held in Paris on 21 June, consortium members agreed to step up aid by $900 million over last year's $5.4 billion. Although this marks an increase of 16% in dollar terms, the real increase works out to 12%-13% as a result of currency fluctuations.

The World Bank's share in the aid is about $2,700 million, of which $750 million is routed through IDA, the soft-lending window. IDA aid is a hefty $800 million lower than last year's level. This indicates that while the total quantum of World Bank aid has risen, the terms of lending have hardened this year.

Japan has emerged as the largest bilateral donor.

AT HOME IN INDUSTRY

GNANAMGARI

She says that she'll be second to none. "I'm the tops," states Shakuntala Gnanamgari. Bold, brash and persuasive, Gnanamgari is representative of a rapidly growing breed — the Indian woman entrepreneur.

For many it has been a traumatic experience — the transition from cloistered joint-family environs to a male-dominated, cut-throat business world. Some have faltered; retreated. Others have taken the bit between their teeth, the snubs in their stride and persevered. And these are the few who are now writing the first chapters of tomorrow's success stories.

For some it has been happenstance. Usha Sansgiri (44) started by conducting sewing classes at home to supplement the household income. Then a friend suggested that there was more money in the gifts and novelties business. "So I packed a bag with samples and went around companies to get orders," says Sansgiri. And orders did flow in.

Others like Mohini Kalantri (38) have had a more hit-and-miss experience. Keen to get out of her husband's shadow (he is a well-known industrialist himself), she and her sister Arvind Walia flagged off the independent A.M. Enterprises. Their first venture was a restaurant and permit room at the City Industrial Development Corporation (Cidco) market in New Bombay. The spirits flowed freely and the money came rolling in. But domestic priorities got in the way and the establishment had to be leased out. Then came a shopping complex; another success, but that too had to be rented out.

DOCTOR: AGGRESSIVE & SUCCESSFUL

Finally, she appears to have found her forte. She has bagged a Rs 15 lakh contract for setting up a weighbridge at Cidco's New Bombay iron and steel market. With two more weighbridges required at Mahad and Tarapur, Kalantri is confident that she is in her right weight class.

> *I hope help comes fast because I am already deep in debt with the banks*
>
> **Usha Sansgiri**

Madhu Jain (36) is another adventurer in unknown territory, who faced setbacks through no fault of her own.

After returning from the US with an MBA degree, she was put in charge of the modernisation of the sick family concern, Khandesh Spinning & Weaving Co. She convinced the Industrial Development Bank of India, got a Rs 4 crore loan and effected a turnaround. But the Jain family split and Madhu's now bouncing baby was snatched from her hands.

But Jain was undeterred — another attribute of a true entrepreneur. She set up shop in Jalgaon. Rishabh Metals & Chemicals, her new venture, made a profit of Rs 5,000 in the second month itself and has today a yearly turnover of Rs 50 lakhs. Among her clients she numbers Hindustan Ciba-Geigy, Searle India, Colour-Chem and Brooke Bond. On the anvil is a technical tieup with a Tel Aviv-based company.

Jain gets irked when classified as a woman entrepreneur. "There is no such animal called a woman entrepreneur," she retorts. "There is an entrepreneur; period."

Not everyone shares her views. Shobha Doctor (42), whose initial splash in the TV serials industry has been somewhat smothered because of her alleged aggressive and brash manners, pulls no punches. "It was male chauvinism at work," she says heatedly. "They could not digest the fact that a woman was more brainy and successful than them."

Shobha has indeed proved more brainy and successful than many of her male counterparts. She started Concept Advertising along with husband Mahesh in 1969. Always on the lookout for new things to do, she found opportunity in the strangest places. When one of the agency's clients, a Kolhapur milk cooperative defaulted on dues, she convinced them to pay in milk instead. She roped in 360 housewives, who chipped in Rs 5,000 each, and started off as a milk distributor. Today, Sanjay Milk Dairy, named after her son, has Rs 6 crore annual turnover.

Doctor has other strings to her bow. She has made more than 28 TV se rials, including the popular soap opera *Humlog*. "An entrepreneur is one who never stops thinking," she says. Currently she is thinking of an Indian handicrafts counter at Saks Fifth Avenue, New York's exclusive department store. The counter, to be called Purana, will display a range of products — from perfumes to pottery.

HAWKING PLASTIC BOTTLES

But if Shobha has found success come her way, the same is not true of Sansgiri. Her gift vending outfit, Usha Associates, was a smash hit. But another friend (she has, it seems, an extensive old girls' club) suggested that she go into hawking plastic bottles to pesticide units. Orders poured in and she went into manufacturing.

"That was my undoing," laments Sansgiri. After a short no-problems spell at her Goa factory, she ran into labour disputes. "Our competitor, whose brother-in-law is a powerful union leader of Goa, did not want my unit to work." She alleges that he instigated labour unrest which has led to the closure of the unit. Sansgiri has even written to the prime minister seeking succour. "I hope help comes fast because I am already deep in debt with the banks," she says.

One person who is confident that she will not get into trouble is Gnanamgari. The non-resident Indian computer scientist is aiming for the big league in her first venture itself. She is setting up a Rs 7 crore multilayer ceramic chip capacitor unit in her hometown Tirupati. Incidentally, it is the very first beneficiary of the venture capital fund floated by SBI Capital Markets.

KALANTRI: IN THE RIGHT WEIGHT CLASS

THE RISHABH LAB. INSET: JAIN

What makes Gnanamgari sure she is backing a winner is the fact that there are no indigenous manufacturers of the chip. Besides, she has a stint in Siemens and a Ph.D. from the US University of Pennsylvania as credentials.

There is something many women entrepreneurs seem to share: a foreign experience. Doctor, for instance, was displaying her entrepreneurial talents as a teenager in Kampala. She set up a school to teach English to Africans "because they paid me more to learn the language." Jain too is an MBA from the US.

But does not the fact of being a woman, with the attendant domestic responsibilities, detract from the entrepreneurial spirit? There are the initial problems, of course. "A well-off husband does not mind if his wife idles away her time at kitty parties. But if she starts a venture of her own she poses a threat to him," says Kalantri. She, however, managed to overcome opposition from her orthodox in-laws and reluctant husband because of her philosophy — "When you want to do something badly, you manage to do it."

Once the initial hurdles have been crossed, the general opinion is that it is relatively smooth sailing. What is needed is a husband in a supportive role. As an entrepreneur, a woman can actually find more time for her family because she can choose her working hours. Small wonder then, that more and more women are queuing up to become entrepreneurs.

The government has done its bit too. There are special schemes for women who set up their own units. Unfortunately, there is a great deal of ignorance on this head. Even the All-India Manufacturers Organisation's special cell for women entrepreneurs, which is co-chaired by Kalantri, is unaware of these schemes.

On its part, the special cell is offering advice on financial and technical problems, though how it is doing so without adequate knowledge is anybody's guess.

And this may well be the reason why there are many who do not think too highly of women entrepreneurs. "They tend to be overdemanding," says Y.L. Rajwade, Maharashtra's development commissioner for industries. "They complain that their problems are aggravated because they are women. They also make unjustified demands."

But Rajwade does admit that the performance of women entrepreneurs is satisfactory and their numbers are fast growing. Currently, there are as many as 1,500 of them in Maharashtra alone. The woman of today is no longer content with being industrious at home; she wants to be at home in industry.

■ *Maya Rai Choudhuri*

CAN VENTURE CAPITALISM BLOOM IN INDIA ?

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His banker said *nyet*. "Your project won't fit the bank's lending norms," his consultants had observed pessimistically when Arvind Trivedi unfurled his plans to pioneer the manufacture of medical transducers in India. Ignoring the stab of disappointment, Trivedi tried again, and this time he came up trumps.

His benefactor: the Industrial Development Bank of India (IDBI), which has a venture capital scheme in operation to provide start-up funds to high-risk, high-potential projects like Trivedi's. Barely three months after he put in his application, he received his first cheque from the IDBI which agreed to loan him Rs. 40 lakhs (total project cost: Rs. 50 lakhs). "For such a project, that's really fast," says an impressed Trivedi, who runs a manufacturing outfit called Roop Ultrasonics.

A trained instrumentation engineer from the University of Bradford, UK, Trivedi is just one of several technocrat-turned-entrepreneurs who are beginning to venture into virgin territory. The IDBI's scheme too, is just one among many venture capital funds which are helping to translate dreams into reality. "There is a need to go beyond conventional finance. Venture capital funds will promote new ideas," says D.V. Bhargava, deputy managing director of the Industrial Credit and Investment Corporation of India (ICICI), which is itself in the process of flagging off a new company to handle venture finance.

The normally placid world of finance is in a ferment. Freeing themselves from the straitjacket of conventional lending norms, financial institutions are suddenly waking up to the potential of venture capital funding. Banks have rushed in to set up funds for the purpose, and even private sector credit companies are on the verge of entering the field (see box p.70).

Funding overview. Business ha already begun for many of ventur capitalism's neophytes. For the olde hands, business is picking up. The Risk Capital and Technology Finance Corporation (RCTF), the oldest in the game, has disbursed over Rs 18 crores to entrepreneurs in the 13-year span between 1975 and 1988. The IDBI's venture capital fund, which is still a two-year-old infant, has sanctioned Rs 6.5 crores to 10 projects. SBI Capital Markets (SBI Cap), a State Bank subsidiary, has approved Rs 4.29 crores for six projects, with sanctions of Rs 3.36 crores for eight more projects in the pipeline. Grindlays Bank has committed investments of Rs 5 crores, while the ICICI has sanctioned Rs 4 crores to eight projects in the last two years. Cumulatively, these venture capitalists have committed funds of around Rs 37 crores and are now ranged against one another in their quest for the entrepreneur.

The quest has been a successful one. "We got over 200 applications asking for venture finance," says S. Subramaniam, deputy manager (technical), IDBI. And in the truest traditions of venture capitalism, there are no known names from industry among the successful applicants. There is a Speck Systems of Hyderabad, a Textile Roofing Pvt. Ltd. of Vijayawada, a GML Chip Components of Tirupati and a Mark Auto Industries of Gurgaon. One wouldn't find brokers lining up to buy the shares of such companies at the stock exchanges. And yet, each one of them has been identified as a promising performer over the next few years (see box p. 71 for details).

THE ROOP ULTRASONICS OFFICE IN BOMBAY. INSET: TRIVEDI

Standing four square behind these projects, and shouldering the undeniable risks involved, are the venture capital funds which are increasingly making their presence felt in the financial marketplace.

But why has venture capitalism suddenly sprung to life so perceptibly? Two explanations — which complement one another — have been offered. First, there has been a gradual liberalisation of most aspects of economic policy in recent years. Fiscal, industrial and trade policies have been considerably eased. This process, economists believe, was bound to be extended sooner or later to finance. Observes P.R. Brahmananda, the Bombay-based economist: "Finance is getting out of the coils of the python of dependence upon government. The liberalisation continues."

Official push. The inexorable pull of the liberalisation process has been aided by the official push in favour of an active role for venture capital funds. In his budget speech, the erstwhile finance minister, N.D. Tiwari, had emphasised the need to encourage venture capital funds. Soon afterwards, IDBI chairman S.S. Nadkarni called for the establishment of such funds in the private sector. This refrain was taken up by the Associated Chambers of Commerce and Industry (Assocham), which suggested the development of a venture capital programme as a "collaborative effort of the government, the public sector, financial institutions and the private sector."

But if there was a symphony of consensus on the need for venture capital, conceptions of what these funds should be are a cacophony of discord. Some, in fact, even doubt whether India has any venture capitalists at all. One of the sceptics is Udayan Bose, managing director of CreditCapital: "There are none yet in India," he says.

Bose is not quite off the mark. Our home-grown funds are still a far cry from the concept of venture capital as it developed in the land of its birth — the United States. Says Roger Cottrell, director (venture finance) of Grindlays: "In India, the notion (of venture capital) has been restricted to a very narrow definition. The western venture capital perspective is far wider."

Venture capital funds mushroomed in the US in response to two conditions: the rapid development of technological innovations and the existence of vast reservoirs of liquid finance, whose owners were prepared to shoulder high risks to earn equally high returns.

Typically, American venture capital funds are approached by entrepreneurs who are technical whizkids but hard-up for cash. The venture capitalists pump equity into these virtually unknown companies and attempt to nurture success. Once that happens, the company's stock begins to rise. At that point, the venture capitalists divest their holdings and make a killing on the stockmarkets Most companies in California's Silicon Valley came up this way.

Now compare this with what the Indian venture capital funds are doing. With the exception of SBI Cap, and possibly Canara Bank's own venture capital fund, most of the others

OLD HANDS & NEW ENTRANTS

Until recently, venture capital funds existed more as intentions than as facts. Suddenly, the field has begun to witness a good deal of action. New entrants are pawing the ground to enter, while established players are revamping their strategies to retain their lead. Here's a sample:

- The Delhi-based Risk Capital Foundation, earlier an adjunct of the Industrial Finance Corporation of India, has launched out on its own as an independent company — the Risk Capital and Technology Finance Corporation (RCTF). The change marks a shift in attitude — the RCTF will now increasingly take to funding projects which involve technological development. As a rule, it provides interest-free loans to promoters at a service charge of 1%, the upper limit for a single promoter being Rs 15 lakhs. But there are plans to move beyond this level.

- The Industrial Credit and Investment Corporation of India (ICICI) is flagging off a new company to handle venture finance — the Technology Development and Infrastructure Corporation of India (TDICI). The company, to be based at Bangalore, has already been registered and will completely take over the functions of ICICI's venture capital cell. At present, this cell identifies and funds projects through conditional loans. In some cases, it also subscribes to the promoter's equity. The TDICI will finance ventures that develop indigenous technology.

- SBI Capital Markets (SBI Cap) the State Bank of India's merchant banking subsidiary, will set up a venture capital fund in a couple of months. At present, SBI Cap finances ventures through its "bought out deals." But the new fund will go beyond this to finance innovative projects.

- Grindlays Bank has launched the India Investment Fund with money raised abroad from non-resident Indians (NRIs), and is scouting around for projects which need venture finance. In the early eighties, it had planned to start a fund in India, but the proposal ran into rough weather and had to be ultimately shelved. The NRI fund has started functioning. More money will pour in, if this fund shapes well.

- Waiting in the wings to make a dramatic entry is CreditCapital Finance Corporation. CreditCapital, which is struggling to become the first Indian private venture capital fund, is finding the going an uphill task. According to *Business Standard*, CreditCapital has been allowed to set up a Rs 10 crore fund. "No comment," says the company.

- Canara Bank has received RBI clearance to set up a venture capital fund through its subsidiary, Canbank Financial Services (Canfina). The Canbank Mutual Fund is also launching some more schemes during the next couple of months: Can 80CC Fund, Cancigo and Cangilt. While the first is an open-ended fund which will invest in new equity shares, the other two are tailored for investors seeking short to medium-term investments.

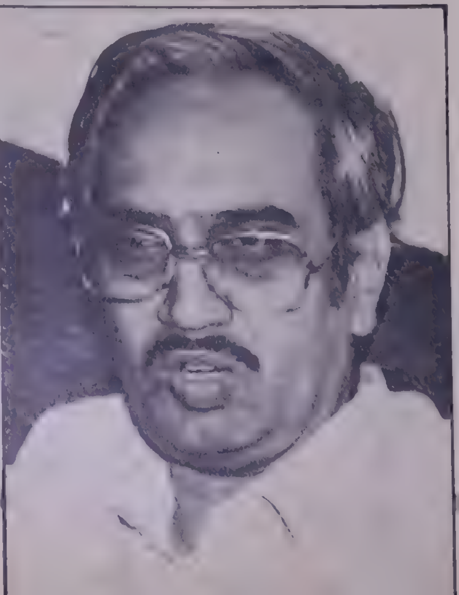
As more such venture capital funds start blooming, the hope is that they will launch an entrepreneurial revolution.

provide mainly debt rather than equity capital. Moreover, a common feature of three funds — those of the RCTF, IDBI and ICICI — is that they finance projects where clear technological development is involved.

This last factor draws a clear line of distinction between western venture capital funds and their Indian counterparts. "In the West, the risk borne by the venture capitalists is primarily financial," says C.S. Pani, IDBI's technical advisor. "What we are trying to do is to bear technological risks (as well)." This implies that the IDBI's venture capital assistance is available for projects whose technological base is still untested, so to speak. Proven technology, or straightforward technology transfers, do not usually qualify for assistance.

Limited projects. This tends to cause complications by limiting the kind of projects that these venture capital funds can assist. Says S. Subramanian, who heads IDBI's technical cell which operates the venture capital scheme: "We are considering a proposal to set up a unit to manufacture a wood-like substance from rice-husk. This husk has zero value at present, and is generally considered a major nuisance in paddy-growing centres. An entrepreneur in Karnataka has borrowed technology from the national science laboratory at Bangalore to mix this husk with chemicals, compress it in a hydraulic press, and obtain a board, which could substitute for plywood. Such a project would fit in with our norms, since it implies the development of a new technology."

SUBRAMANIAM: FUNDING INNOVATION



However, entrepreneurs who want IDBI assistance don't always bear this fact in mind. "We get all kinds of proposals," smiles Subramaniam. "One wanted money to import 100 printers." Needless to say, such proposals find their way into the trash-can.

Both RCTF and ICICI's venture capital scheme are headed the same way. Says C.D. Reddy, RCTF's general manager: "Previously, we were giving risk capital to promoters who did not have funds. But now, in addition, we propose to help industry to develop commercial R&D. All this involves risks, especially when new concepts or products are being developed. Unlike other financial institutions, we will help entrepreneurs to prove a new technology rather than fund proven technology."

Having broadened its outlook, RCTF will no longer depend on "doles from the IFCI," Reddy asserts. "We shall have our own share capital from IFCI, other banks and financial institutions, and possibly also from the International Finance Corporation, Washington," he adds.

BHARGAVA: PROMOTING NEW IDEAS

ICICI's outfit, styled Technology Development and Infrastructure Corporation of India (TDICI), will also try to develop technology through the commercialisation of R&D. Says K.S. Nadkarni, ICICI's deputy manager: "Proven technology will not be financed in the normal course, unless there is a significant input from the Indian side." TDICI has identified areas such as biotechnology or pilot plants as potential areas which will get priority in terms of assistance.

Steady source. What all this implies is that technocrats who can pioneer innovations may have a steady source of finance in these venture capital funds. In the IDBI's case, the source could even be considered perennial, because the cess collected by the government under the R&D Cess Act, 1986 (companies that import technology have to pay a 5% cess) is passed on to the IDBI.

That should be good news to technocrat-entrepreneurs, who are more comfortable dealing with venture capital funds (VCFs) than with

THE ENTREPRENEUR SWEEPSTAKES

Picking tomorrow's winners from a crowded field of innovators and ambitious entrepreneurs is as risky as trying to predict next year's Derby champ from this year's performance. But where there is no risk, there can be little gain. As any punter worth his salt will tell you, one jackpot makes a hundred failures worth the investment. And that's what venture capitalism is all about. Given below is a sample of potential success stories financed by Indian venture capital. The market will determine who will get the jackpot, and who will be pushed into the ditch. Take your pick.

■ The Hyderabad-based Speck Systems was launched by two engineers who wanted to set up their own unit. Using technology developed by the Indian Space Research Organisation (Isro), Speck plans to manufacture digital image processors which are used to interpret data provided by the satellite IRS-IA. The image processors are proposed to be sold to the remote sensing centres which every state is setting up, and will be used by government departments (such as geology, agriculture and so on). State financial institutions do not usually touch a project of this type, since the technology is still being developed. But the IDBI has had no such hang-ups. It has financed Rs 11.25 lakhs of the Rs 12.5 lakh project (Rs 9.25 lakhs as loan and another Rs 2 lakhs as equity).

■ Two innovative traders in jute products from Andhra Pradesh had an interesting thought: why not develop roofing material from jute waste? They developed prototype jute-fibre reinforced sheets and found them to be cheaper and safer than asbestos, the conventional roofing for low-cost houses. Tests at the Indian Institute of Technology, Madras, showed that the technology might just be workable. So they set up a company — Textile Roofing — at Vijayawada and approached the IDBI for a loan. The bank gave them Rs 72.6 lakhs (total project cost: Rs 88.6 lakhs).

■ Shakuntala Gnanamgari hails from a family of farmers. She has a doctorate from an American university and worked for several years in the US as a scientist. When she wanted to set up an outfit to manufacture chip capacitors with state-of-the-art technology, she contacted the New York branch of the State Bank, which directed her to SBI Cap, Bombay. In April 1987, she told SBI Cap of her intentions, and by August 1988, her outfit — GML Chip Components — will start commercial production. SBI Cap bought out Rs 1.07 crores worth of equity from the total equity component of Rs 2.25 crores in Gnanamgari's project. (See At home in industry, p.66).

> *One jackpot makes a hundred failures worth the investment. And that's what venture capitalism's all about*

■ Mark Auto Industries is located at the Maruti complex in Gurgaon, Haryana. Its promoters belong to the young breed of auto ancillary manufacturers who make high quality fuel tanks and other pressed metal components for Maruti's burgeoning output. SBI Cap has bought Rs 80 lakhs of equity to part finance the total project cost of Rs 4.6 crores.

Thus far, only the venture capitalists have had the courage to buy the equities of these companies. Only when the consumer pronounces his verdict on their products will we the winners from the losers

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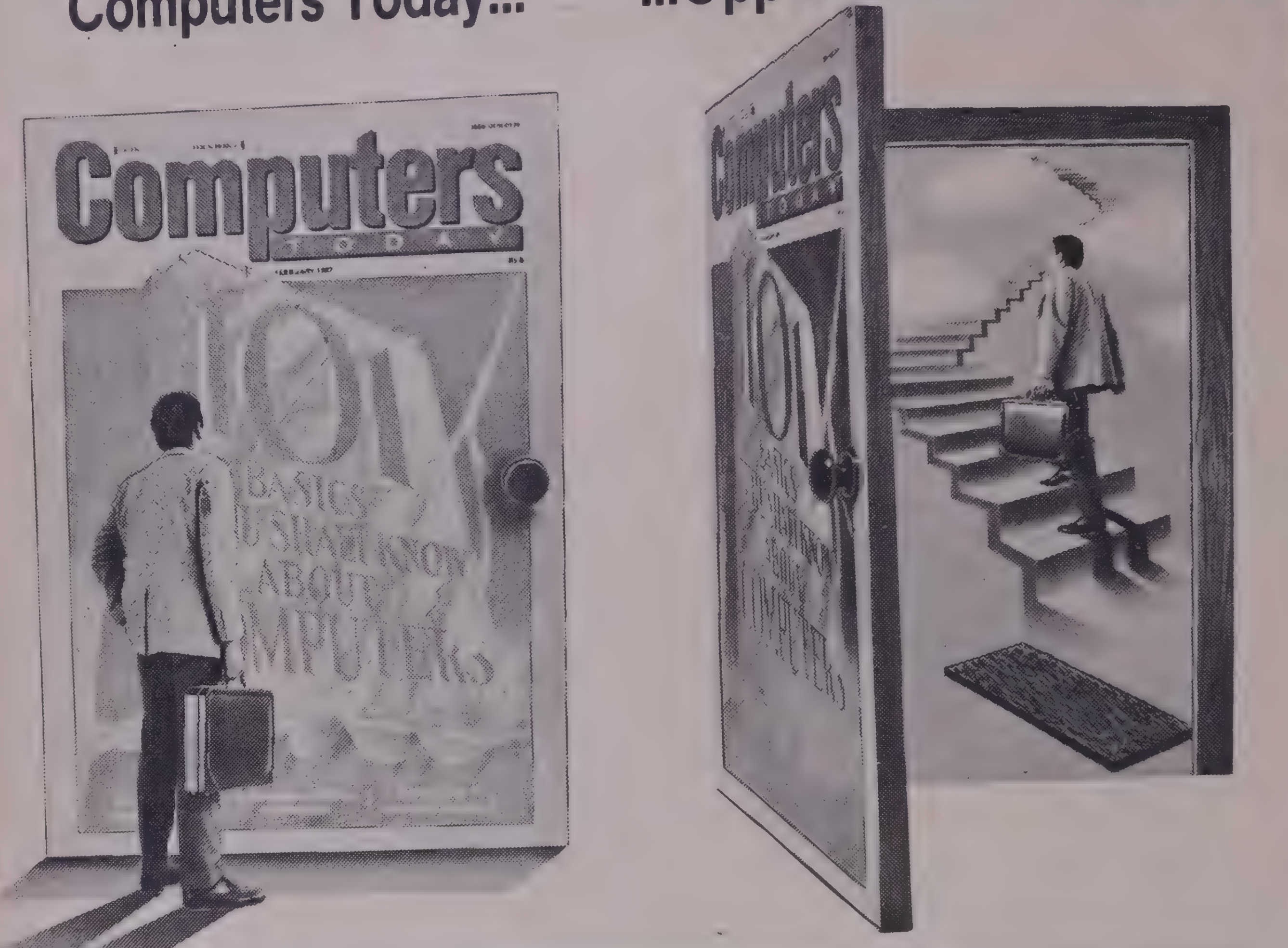

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conventional financial institutions. "Scientists find it difficult to understand banks," says Trivedi of Roop Ultrasonics. "I don't know what liquidity ratio means. But when we deal with the VCFs, it's like talking to scientists, rather than to bankers." Shakuntala Gnanamgari of GML Chip Components concurs: "SBI Cap approved of my project, I had no need to go to anyone else," she says.

But the same coin has another side, too. A high degree of technology risk could also mean a high mortality rate for such units. An industry executive told *BusinessWorld* he was certain many of these projects would lose money. "It's not going to work profitably," he said. "You won't find the banks — which have to service their investors regularly — going in for such notions. These bigger financial institutions don't have that problem."

Others like SBI Cap, whose concept of "bought" deals comes closest to the western idea of venture capital funds, got into venture financing almost by chance. The "bought deal" idea was bought by SBI Cap as a way of propping new capital issues in the bear market of 1986-87. The idea was to buy out new issues (to the extent of 49% since SBI Cap is not a holding company) and unload them at a later stage after the market picked up.

"A number of new issues were foundering though they were for funding good projects. So we told such promoters, 'We'll buy out such issues and make an offering to the market later'," says D. Basu, managing director of SBI Cap. "We did not have venture finance in mind. But we realised that in practice, we were going in the same direction."

But having got into venture capital, SBI Cap is going all the way. It is also becoming more venturesome. "We will focus on new ideas in the services sector," says Basu. Offshore drilling is one area of interest. "It's an area where rewards can be high," says Basu. Adds M.S. Verma, SBI Cap's general manager: "Once the companies (we finance) start earning money, we shall offer the scrips to the public."

Exit-point pitfalls. There is a catch here. Can the Indian stock market, with its high level of illiquidity, permit high rewards at the point of exit?

REDDY: BACKING NEW TECHNOLOGY

No, says Udayan Bose of CreditCapital. His argument is simple enough. "If, out of the total Rs 3 crore equity of a company, Rs 1 crore is held by the promoter, Rs 1 crore by the public and Rs 1 crore by the venture capital company, the day the venture capitalist tries to sell shares worth even Rs 10 lakhs, the share will nosedive."

Basu of SBI Cap shares Bose's anxiety. He insists that venture capital funds must be able to make money at the point of exit. "That is what will determine whether venture capital funds can succeed or not," he says.

J. Yardi, general manager of Grindlays, has a solution to offer. He suggests that venture capital funds could set up some sort of a bidding mechanism in consultation with the stock exchange authorities. "One could privately advise a minimum bid price in consultation with the stock exchange authorities. Perhaps such a method might work." But Yardi admits that though the government is examining the problem, and has the "desire to solve it," it is still far from a market-driven solution.

BASU: FOCUS ON SERVICES

Precisely due to these limitations, Grindlays has been treading carefully. "We have adopted a very cautious policy," explains Yardi. "We have to be confident that the promoter is going to succeed." Grindlays has to satisfy the NRIs who have invested in its fund that things are going to work out. "If we succeed, the Kuwaiti investment office is keen on putting in money, too," he adds. Among the companies they have assisted are outfits manufacturing welding equipment, auto ancillaries and colour TV tubes.

Clarification needed. Capital gains laws represent another hurdle to the success of venture finance. Since the earnings of these funds depend primarily on the appreciation in stock values, they cannot hope to succeed unless tax laws are amended. What the government needs to clarify is whether the earnings of the funds will be classified as capital gains or as business income.

Tax lawyer H.P. Ranina believes such earnings will be treated as the latter. "Since the objective of the fund is to plough back its earnings, as matters stand the profits that venture capital funds make would be treated as business income," he says. The taxman, thus, could slam a tax of 52.5% on the net profits of venture capital funds. Ranina suggests that the government should amend s.52(E) of the Income Tax Act, and completely exempt such earnings from capital gains tax "if it is really serious about encouraging these funds."

And that seems to be the nub of the matter. Time and time again, declarations have been made about the need to encourage venture capital. The funds have got cracking and begun to lend money to companies. But unless the government is "really serious," and comes to grips with the problems that persist, nothing much may come of the exercise. Venture financing may prove as big a gamble as the ventures they finance.

■ *Mukul Pandya*

(With reports from Rajiv Shirali in New Delhi and Maya Rai Choudhuri in Bombay.)

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303, Embassy Centre, Nariman Point, Bombay-400 021.

WE'RE VERY, VERY BUSY.

NOW CONVINCE US TO TAKE A HOLIDAY.

It's not easy. But then taking on a real challenge never is.

We at Dalmia Resorts have pioneered Vacation Ownership in India. It's a vacation system that's proved to be a great success all over the world.

And it works on a simple principle: An investment is made, and with that, a customer gets the rights and privileges to enjoy one or more weeks at our resorts year after year.

Apart from that he gets several other advantages.

SALES MANAGER (AHMEDABAD)

Yes. It's a tremendous idea. But to put it across to potential buyers, we need a Sales Manager with exceptional qualities.

Like a natural flair to lead a team. To groom talent. And encourage potential.

An outlook that's open, honest and extremely compelling.

A surging ambition and a head for results.

And above all, an instinct to overcome all odds.

We realise 'exceptional qualities' such as these cannot always be judged by the conventional parameters of qualifications and experience. But they certainly do help.

So, if you've got around 7 years' experience in the hotel or travel industry; or in office automation, industrial products, consumer durables, etc., and if you've functioned as head of a small branch, here are two big tests.

The first is how you evaluate yourself.

The second is your ability to be compelling.

We may be very, very busy. But if you have the talent, we have the time.

Apply in strict confidence, within 7 days. Enclose your resume and a recent passport size photograph.

DALMIA RESORTS

General Manager - Personnel
Dalmia Resorts International Pvt. Ltd.
1st Floor, Devika Tower
6, Nehru Place
NEW DELHI-110 019

APPOINTMENTS

NSIC
REQUIRES

1. DIRECTOR ELECTRONICS

The incumbent will be required to—

— Identify products, plan and promote growth of electronic based Small Scale Units.

— Plan and organise technical training programmes.

— Develop phototype of equipment required by Electronic Industry and organise common facilities services.

QUALIFICATIONS:

— Degree in Engineering/Electronics with Post-Graduate Qualification in Electronics.

— Minimum 10 years' experience in the field, out of which at least 3 to 4 years at a senior level in a large Electronic concern of repute or a Public Sector Undertaking.

2. DEPUTY DIRECTORS

QUALIFICATIONS:

— Degree in Mechanical/Electronics/Computer Engineering

— The Candidate with Post-Graduate qualification in Engineering will be given preference.

— Minimum two years' experience in the area of designing programming or manufacturing of Machine Tools, and operation of CNC Machine Tools.

3. PROGRAMMER FOR COMPUTER TRAINING COURSES

— Science Graduates with Diploma in Computer Programming should possess 3/4 years' experience in Personal Computer Programming. Knowledge of BASIC COBOL and dBASE III is essential. Persons having teaching experience will be preferred.

Scale of pay	Total pay at New Delhi Minimum Rs.	 Maximum Rs.	Age limit
For post at Sl.No.1 Rs. 1500-1800	4431.00	5151.00	35-45
For post at Sl.No.2 Rs. 700-1300	2637.60	4131.00	28-35
For post at Sl.No.3 Rs. 550-900	2077.48	3354.20	22-30

Relaxation by 5 years in the case of SC/ST candidates.

Reservation of posts for SC/ST candidates exists as per rules.

(The posts at Sl.Nos. 1 to 3, besides pay, carry Dearness allowance and other fringe benefits like HRA, Medical Reimbursement, Leave Encashment, Group Insurance, EPF etc. as per rules of the Corporation).

GENERAL

Applications duly typed and giving complete Bio-data with Passport size photograph and a crossed Indian Postal Order (non-refundable) for Rs 10/- (no postal order in case of SC/ST candidates) should be sent to **General Manager (P&A), National Small Industries Corporation Ltd., Laghu Udyog Bhawan, Okhla Industrial Estate, New Delhi-110020,** within 15 days of publication of this advertisement. Those employed in Govt./Public Enterprises should forward their applications through proper channel. Those called for interview shall be eligible for reimbursement of travelling expenses as per rules of the Corporation.

APPOINTMENTS

ABC's major specialisations include Corporate Consultancy ● Project Reports ● Operations Research ● Industrial Engineering ● Technology Transfer ● Computer Software Packages ● Data Processing ● Computer Software Packages ● Materials Management ● Socio Economic Studies ● SWOT Analysis ● Systems & Procedure ● Business Negotiations ● Socio Economic Studies

Mass Production Engineering Industry—Bombay

We have been retained by a profitable, fast expanding, medium sized company to select 4 Key Professionals for them. Present sales turnover of Rs 20 Crores will be doubled in the next 2/3 years after expansion programme in hand is fully implemented. They have latest generation Plant & Equipment from Western Europe.

PRESIDENT

Rs 2.5 Lakhs + House + Car + Perks

He will have total **Profit Centre responsibility.** Must be B Com or CA with techno commercial background and should have personal expertise in the area of (a) Team Management & Leadership (b) Commercial & Marketing (c) **Factory Administration.** Age Group 40 45. Code PE/CAL/2445.

VP—COMMERCIAL

Rs 1 Lakh + House + Car + Perks

Will supervise all factory-based commercial functions like sales, purchase, stores, excise, etc. Must be B Com or preferably a CA with similar experience in factory environment. Knowledge of **Parta System** or commercial experience with a reputed business house will receive preference. Age Group 35-45. Code VPC/CAL/2446.

VP—WORKS

Rs 1 Lakh + House + Car + Perks

Will supervise all manufacturing operations. Should be a Mechanical Engineer with good knowledge of **Press Shop & Press Tools.** Must be a strong administrator with similar experience in any Mass Production Engineering Industry like **Two Wheelers, Fastners, Bearings, Metal Containers, Cycle** or such other industries where press tools and mass production are inter-related. Age Group 40-48. Code VPW/CAL/2447.

MAINTENANCE MANAGER

Rs 70,000/- + House + Perks

For total preventive & breakdown maintenance functions. Must be Mechanical Engineer with similar industry experience. Age Group 38-45 Code MME/CAL/2448.

All positions are factory-based near Bombay. Our clients are looking for **high performers** with excellent track record. Please write within 15 days to **B P Agrawal, Chairman** and mark the envelope & enclosures with respective job title & code.

ABC CONSULTANTS PRIVATE LIMITED
43/3, Hazra Road, Calcutta 700 019, Phones : 47 3688 (5 Lines)

APPOINTMENTS

ABC's major specialisations include Corporate Consultancy ● Project Reports ● Operations Research ● Industrial Engineering

REGIONAL MANAGER — WEST

EXCELLENT TERMS

BOMBAY

Our clients are one of India's largest diversified business houses manufacturing and marketing industrial and consumer products. Current group turnover is over Rs 600 crores. This key position is for one of their **premier consumer product** range.

The incumbent, reporting to the **General Manager-Marketing** will be independently responsible for sales operations. Key functions will be achieving **pre-determined sales targets, improving market share, coordinating field force activities, administering a rapidly expanding dealer network and branch administration.** He would contribute to planning of the marketing strategies and developmental activities of the organisation.

Candidates must be graduates, **Marketing/Sales Professionals**, around 35, with minimum 5 years relevant experience in a **leading consumer products company.** Ability to work independently under high pressure is essential. MBAs from premier institutes preferred. The job offers an **excellent salary, housing/HRA**, car and other senior management perks.

Apply in confidence within 10 days with detailed biodata enclosing a brief write-up on accomplishments & achievements, present salary and contact telephone no to **Deepak Bhargava, Sr. Manager,** quoting job title & code: RMW/DEL/371.

(Personnel Selection Division)

ABC CONSULTANTS PRIVATE LIMITED

209 Meghdoot, 94 Nehru Place, New Delhi-110 019 Ph.6433383.

● Organised Cost Reduction ● SWOT Analysis ● Data Processing ● Systems & Procedures ● Computer Feasibility ● Technology Transfer ●

Advt No EGL/Steel/2/88

ESSAR STEEL

ESSAR STEEL, one of the four divisions of the well diversified Essar Gujarat Limited which is a front-runner in oil exploration, offshore engineering, marine construction, etc., is setting up the world's largest and India's first gas-based hot-briquetted sponge iron plant at Hazira, near Surat, in Gujarat. The Rs. 305 crore project, with an annual capacity of 8,80,000 tonnes, is expected to go on stream by the third quarter of 1989.

To successfully complete this project and to ensure its continued professional management ESSAR STEEL requires

GENERAL MANAGER (Production)

[illegible] Gas Reformers [illegible] production experience [illegible] atleast 5 years [illegible] operat[illegible] Refinery [illegible] People havin[illegible] Gas Reformers [illegible] Sponge Iron Plant [illegible] preferred.

The compensation package includes attractive salary and benefits which are among the best in the industry.

LOCATION: HAZIRA, GUJARAT

Hazira, a port town, about 25 kms. from Surat in South Gujarat, is emerging as one of the largest and major industrial centres in India. ONGC, KRIBHCO, L&T and others have set up major plants at Hazira. The Company's proposed township includes modern residential complex, medical, recreational and educational facilities.

Please apply, enclosing a recent passport size photograph, in strict confidence with envelope and application marked GM(PROD) EGL Steel/2/88 within 15 days.

Manager (P&A)
ESSAR STEEL
A division of
ESSAR
GUJARAT LIMITED
Maker Chambers IV, 13th floor
Nariman Point, Bombay-400 021

CLEA

ESSAR — *The best years are ahead*

APPOINTMENTS

ABC's major specialisations include Corporate Consultancy

Project Reports • Operations Research • Industrial Engineering • Systems & Procedures • Computer Feasibility

Organised Cost Reduction • SWOT Analysis • Data Processing

Materials Management • Project Reports • Business Negotiations • MIS • O&M • Software Packages

SENIOR EXPORT PROFESSIONALS
Fast Growing Diversified Export House

Delhi

Excellent Terms

We have been retained by a dynamic, fast growing, Government recognised Export House engaged in exporting a wide range of goods including leather shoe-uppers & leather apparel to select the following professional managers.

GENERAL MANAGER EXPORT LEATHER SHOE-UPPERS & APPAREL

The incumbent **reporting to Managing Director will be responsible for developing new markets in East Europe, United States and other countries for export of shoe-uppers, shoes and leather garments. Key result areas will be to formulate and implement high return export strategies for the division which he will manage as an independent profit centre.** He will be required to **raise the present leather export turnover to 10 crores.** Candidates must be graduates with qualification in foreign trade and atleast 10 years hands-on export management experience in shoe-uppers and leather garments. Preferred age :40-45.

MANAGER PRODUCTION—SHOE-UPPERS

He will autonomously plan, organise and supervise production at company's own units and with sub-contractors. Key result areas are to maximise production with minimum wastage of raw materials, obtain highest quality and improve productivity. **The position requires hard-core experience in setting up an uptodate modern plant for shoe-uppers.** Excellent administration, management skills and **knowledge of latest developments in shoe-technology are essential.** Should be a graduate preferably an engineer, with at least 7 years production experience in similar, export-oriented industry. Preferred age : 35-40.

We are looking for **seasoned professionals with proven track record of high performance who have confidence in their excellence. The positions offer good growth prospects and remuneration will match the best in the country.** Please apply in strict confidence within 10 days quoting job title and code SEP/DEL/347 to **V S Gurumani, General Manager,** enclosing detailed biodata, three references, contact telephone number and passport size photograph.

(Personnel Selection Division)

ABC CONSULTANTS PRIVATE LIMITED

209, Meghdoot, 94 Nehru Place, New Delhi-110 019. Phone : 6433383

Ashok Leyland Limited

REGD. OFFICE : 18 RAJAJI SALAI, MADRAS-600 002.

Statement by the Chairman **Mr Mantosh Sondhi** at the 39th Annual General Meeting on 28th June 1988.

HIGHLIGHTS

- **1987 records all round improvement — Dividend stepped upto 18%.**
- **1988 — outlook is bright.**
- **Hinduja/IVECO association opens new possibilities in technological upgradation, business diversification and export.**
- **Road Development and fleet modernisation deserve higher priority in National Plans.**

Overseas Associates

1987 has been a momentous year for your Company. As you are aware, LRLIH Limited which hold the non-resident shares of Ashok Leyland (and Ennore Foundries) and which was fully owned by the Rover Group of the UK, has been acquired by the Hinduja Group and IVECO. The Rover Group, after carefully evaluating several alternative offers, came to the conclusion that the Hinduja-IVECO combination would ensure a high level of entrepreneurship, marketing capability, technological and funding support for continued development and diversification of the Indian companies.

I would like to take this opportunity to recall the tremendous contribution made by the erstwhile Leyland Group (now the Rover Group) over the last four decades in shaping your Company into a vibrant corporate force contributing to India's industrial and economic development. It is a measure of Rover Group's commitment to the long-term development of your Company that they exercised great care in the choice of their successors. I am sure you will join me in recording our appreciation of the catalytic role played by the Rover Group in shaping your Company's outstanding track record.

Your Company's corporate strategies in the past focussed on developing a range of technologically appropriate and operationally efficient commercial vehicles to meet India's growing developmental needs. In the process, your Company has acquired an impressive level of technological capability and manufacturing infrastructure which is bound to lead your Company to higher achievements in a wider industrial spectrum. It is indeed significant that the change of ownership has occurred at this particularly opportune time.

The Hinduja Group has a strong presence in international trading, marketing, financing, investment banking and asset management activities with offices located strategically in major cities of the world. IVECO is the second largest manufacturer of commercial vehicles in Europe with a very wide product range. IVECO, in turn, is wholly owned by the FIAT Group which is a leading industrial conglomerate with diversified product lines, covering, among others, automobiles and several frontier technologies.

We believe that access to the Hinduja-IVECO Group's financial and technical resources will help your Company to upgrade and diversify its product range, acquire newer competitive strengths and significantly supplement export opportunities

Review of Operations

During 1987 the road transport industry continued to be depressed under the cumulative impact of successive droughts, lower economic growth and poor operational viability of transport operations. There was in fact only a marginal improvement in the Total Industry Volume of medium and heavy commercial vehicles

Against this continuing difficult market scenario, your Company has achieved a sale of 15,966 vehicles compared to 16,065 in the previous year. Despite severe competition in traditional export markets, 444 vehicles were exported in 1987 compared to 223 vehicles in the previous year. Sale of engines for industrial and marine applications was significantly higher at 2,923 units compared to 2,064 units in 1986.

Gross turnover of the Company registered an increase of 11%, from Rs.392.80 crores to Rs.428.49 crores. Profitability has significantly improved, as a result of rationalisation of product-mix, strict control on operating and financial costs, further supported by judicious pricing action. Operating profit was higher at Rs.26.48 crores compared to Rs.23.43 crores in 1986 while profit before tax improved to Rs.9.14 crores against Rs.6.41 crores in 1986.

Having regard to the performance during the year and the inherent strengths of your Company, the Directors have recommended an increased dividend of 18% on the share capital, compared to 16% of the previous year.

Outlook for 1988

The road transport industry continues to be faced with low investment priority for road development and fleet modernisation. Successive failures of monsoon had led to an unfortunate deceleration in economic activity which, in turn, adversely affected viability of road transport. In this scenario, forecast of good monsoon for the current season has generated a feeling of optimism. Your Company hopes that the recent trend in market recovery for medium and heavy commercial vehicles would be sustained. Regardless of market environment, your Company would continue to attach utmost importance to improving market penetration through appropriate product and business strategies, coupled with gains in productivity, optimisation of resources and strict cost control.

I am glad to report that the performance of your Company in the first 5 months of this year has been considerably better than what it was in the corresponding period of the last year.

Product Plans

I am glad to report that as a result of the product strategy which has been implemented over the past few years, your Company can lay claim to an excellent and unique product line-up in 7.5T GVW to 62.5T GTW range incorporating contemporary world class technologies in key aggregates. The recent association with IVECO will present even more exciting opportunities for product diversification in the years to come. I have no doubt that in the long term your Company's R&D strengths will be significantly reinforced with IVECO's association. Engineers of both companies have already commenced working closely to identify long term product diversification and upgradation plans.

The high mark of 1987 product strategy related to a wider spread of passenger vehicles fitted with HINO engines for State Transport Undertakings. These vehicles have received excellent customer response on account of superior fuel-efficiency and excellent reliability. However, the pace of introduction and volume spread of HINO engines had to be slowed down, compared to our initial plans, due to the steep appreciation of the Yen and consequent import penalty. To counter this, it is proposed to accelerate indigenisation of HINO engine components.

The bus version of the 'intermediate' commercial vehicle — the 'Chital' — is now in regular production. The vehicle has not only won appreciation in the domestic market but has elicited encouraging export enquiries. A truck version of the vehicle is slated for launch during the last quarter of 1988.

Your Company continues to retain its dominant position in the premium goods market. Consequent to the increase of permissible maximum laden weight on rigid vehicles, your Company has introduced a new 3-axle vehicle — 'Gaur' with a GVW of 25 tonnes which has been well received. This vehicle and the popular 34T GTW articulated tractor are now fitted with the new front end structure which has significantly enhanced product appeal. Developments in premium vehicle ranges will undoubtedly reinforce the anticipated shift towards high performance haulage vehicles.

As you are aware, your Company has an exclusive though low volume presence in off-the-highway and special application vehicle markets. Recognising the emerging preferences for more powerful and sophisticated options, your Company is developing appropriate product strategies to cater to this segment of the market. I am glad to report that the prototype chassis for Crash Fire Tender application at airports has recently been approved by the Ministry of Defence and we expect to obtain orders for these vehicles in the years to come.

While your Company's product strategy will help achieve sustained market penetration and increased customer coverage, one cannot be oblivious to the fact that accelerated growth of the Company is contingent on return of the road transport industry to an even growth keel. Unfortunately, the fundamental structural problems underlying the road transport and commercial vehicle industries have not received the serious attention they deserve. Recognising that India needed to strengthen its transportation infrastructure coupled with an improvement in vehicle availability to meet the growing mobility needs of the country it was only in the late '70s that the industry was allowed to expand. With appropriate policy support, the industry substantially stepped up capacity, upgraded and diversified product range and committed significant investments. Though the eighties opened with a boom in vehicle sales, it was quickly followed by a stagnation of demand Sale of medium and heavy commercial vehicles in 1987 is still 4% lower than that achieved in 1981, and there is no evidence yet of a sustained upswing There are two significant inter-related dimensions to the structural problems affecting the road transport industry and these relate to road development and fleet modernisation

Road Development

Road transport has currently a share of about 80% in passenger transport and 55% in goods transport and is projected to play an even larger role by the turn of the century. Despite this growing role, development of roads and transport infrastructure has been seriously constrained by woeful lack of investments. Investment on roads and road transport as percentage of total plan expenditure has declined over successive plan periods from 6.7% in the First Plan to 2.7% in the Seventh Plan. Allocation on roads as percentage of tax revenues from road transport declined from a peak of 51% to only 23% in the Seventh Plan.

Low investments have resulted in an underdeveloped road grid. National highways carry 45% of traffic, but constitute only 2% of road length. Though 77% of our population is diffused over 6 lakh villages, 70% of these villages are not connected by all-weather roads. An in-house study carried out by your Company has demonstrated that even arterial highways are characterised by single lane width, poor road geometry and severe road conditions, though the traffic demands are very heavy. Overcrowding in buses caused by lack of needed vehicle stock coupled with dangerous road conditions have led to an increased severity of accidents.

It is also a matter of serious concern that slackening road development and increasing congestion, particularly due to personal transportation vehicles, have brought our country to the throes of a serious transportation crisis with tragic loss to human life and damage to vehicle stock. Already, the fatality rate at 58 per ten thousand vehicles, in India is approximately 4 to 12 times higher compared to the developed countries. At 37 per 10,000 people the fatality rate is far above the trends in other countries with better road network. A study on trend in road accidents conducted by National Transportation Planning and Research Centre has shown that if the present state of affairs continues, the number of accidents, fatalities and injuries would increase to nearly 1 million cases cumulatively. The number of fatalities is projected to treble

Apart from the tragic human dimension, the bad condition of roads has serious economic consequences Turn around time of vehicle is drastically increased due to traffic congestion and low vehicle speeds leading to increased costs for users and lower returns for operators

It is not surprising that the World Bank has assessed the condition of roads in the country as among the worst. Although recent efforts to build model expressways and to strengthen the existing highways provide evidence of a fresh approach by the Government, these are unfortunately far short of requirements. Though the Government has laudably been attempting to provide institutional framework and support for road development through proposals to float National Highways Authority and to augment the Central Road Fund, these do not however, measure up to the real challenge in terms of the massiveness of the task or the quantum of investments required. Now that the Eighth Plan exercises are afoot, there is an urgent need for some basic commitment from the Government to the road building requirements as outlined by the National Transport Policy Committee, National Highways Committee and Indian Road Congress

Fleet Modernisation

Closely allied to the problem of bottlenecks in road network is the bane of overaged and obsolete vehicle stock. Absence of regulatory or legislative checks to curb proliferation of overaged vehicles has contributed to a totally permissive situation with consequent penalties in terms of high fuel consumption, harmful pollution and unsafe transport services. It is indeed heartening that the new Motor Vehicle Bill provides for weeding out of overaged vehicles. It would be essential to strictly enforce relevant provisions of the Bill while at the same time offering liberal and concessional credit support to finance vehicle replacements. I would like to go a step further and advocate a broader policy framework for achieving fleet modernisation concomitant with envisaged fleet replacements.

It is equally important that the Government should play a more active role in defining the technological direction for fleet modernisation and to support it through adequate fiscal incentives. With the anticipated growth and spread of economic and industrial development, it will become necessary to move higher unit loads over longer distances to achieve speed and economy. Incentives must be structured to support appropriate vehicle concepts. Similarly, in passenger transportation where road transport has to play an even more dominant role there is already a pressing need for urgent solutions to mass urban transit needs on the one hand and extended rural services on the other. There is also a definite need to popularise exclusive vehicle concepts which ensure high degree of passenger comfort and speedy travel. This inevitable trend towards high performance, premium vehicles for greater transport productivity can only be successful when road grid is upgraded and expanded to accept such vehicles, and transport systems are integrated with land use planning and traffic management systems.

The pace and scope of fleet modernisation and upgradation will thus not only depend on market conditions and economic pressures but above all on Government support to such a systems approach and technological direction Unfortunately, Government has so far not tangibly responded to effect the much needed reduction in excise duties on vehicles of high value, premium construction and exclusive design which are essential for such a modernisation. I would urge that the proposed automotive policy should identify vehicles such as multi-axle vehicles, truck-trailers and exclusive passenger vehicle designs, apart from fuel-efficient vehicles in all load classes, for special concessional duty structure

The initiative taken by the Government in the last few years on upgradation on technology is indeed commendable. Similarly, liberalisation in the import of technology is a step in the right direction We should not have any inhibition on this account as the world trade in the transfer of technology, even amongst the developed countries, continues to maintain an upward trend However, import of technology should be allowed selectively and judiciously. Selective access to overseas technology should continue to be a valid route to ensure that state-of-the-art technological developments are assimilated and adapted to the Indian situation within the constraints of India's industrial size and structure Successful assimilation and adaption of imported technology requires a strong inhouse R&D capability which must be genuinely developed

I do hope that some of the critical issues which I have raised above will receive a sympathetic review from the policy-makers so that the road transport industry can serve the economy and the community more effectively

Associate Companies

Ashok Leasing and Hire Purchase Limited (ALHP), promoted by your Company, has been able to record commendable growth in volume of business and improvement in profitability in over two years of it's operations. ALHP has been a source of significant support to your Company's operations, particularly in the Eastern Sector.

Automotive Coaches and Components Limited (ACCL), promoted in joint venture with Tamilnadu Industrial Development Corporation Ltd (TIDCO), has commenced operations with facilities for body building. Although the Company has faced initial problems, I am confident that it would establish itself as a successful business operation.

Directors

Consequent to the change of ownership of LRLIH Limited, their representatives in the Board have changed. Messrs N J Penn, P C Capon and C J S Woodwark resigned as Directors of the Company while in their respective casual vacancies Messrs F Sahami, S Portacolone and H Klingele were appointed

Mr R Narayanan, Chairman of LIC, resigned and in his vacancy Mr N K Shinkar, Managing Director of LIC, was appointed as a Director of the Company.

I wish to place on record the deep appreciation of the Board of the valuable contributions of Messrs Penn, Capon, Woodwark and Narayanan during their tenures on the Board

Mrs Raksha Saran, who has been on the Company's Board since its inception, has resigned. Mrs Saran has been a source of tremendous support and valuable guidance in shaping the destinies of the Company. May I, on behalf of the Board, record our utmost gratitude to the extremely constructive role played by Mrs Saran in the affairs of the Company. Though she has ceased to be a member of the Board, the Board has decided to honour her as Director Emeritus

Dr D V Kapur who has been appointed as a Director in the casual vacancy caused by Mrs Saran's resignation brings with him his rich experience in Government and Industry

Note: This does not purport to be a record of the proceedings of the Annual General Meeting

Ashok Leyland

—steering the wheels of progress

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs.)	YEAR ENDED	SALES	EQUITY CAPITAL	COMPOUND GROWTH OVER 5 YRS (%)		EPS (Rs.)	P/E 8 JUL	P/B.V 8 JUL	PAYOUT	SHARE PRICE 8 JUL (Rs.)	MK.CAP 8 JUL (Rs. crores)	%CH.CAP Over 24 JUN
				(Rs.crores)		IN EARNINGS	IN DIVIDENDS							
I.	**AUTO ANC & TYRES**													
1.	CEAT	10	30/06/87	316.07	9.32	36.21	17.93	13.20	4.17	1.72	0.19	**55.00**	51.26	−8.33
2.	CHLORIDE	10	31/08/87	107.50	20.66	13.29	22.23	4.46	14.35	4.14	0.70	**64.00**	132.22	−3.04
3.	MICO	100	31/12/87	183.73	38.05	18.24	10.22	33.88	16.68	2.60	0.35	**565.00**	214.90	−0.88
4.	MODI RUBBER	10	30/04/87	358.60	10.38	4.77	5.84	6.06	7.59	0.86	0.41	**46.00**	47.75	0.00
II.	**BASIC CHEMICALS**													
5.	NOCIL	100	31/12/86	288.10	36.00	49.84	16.14	48.22	9.12	1.73	0.41	**440.00**	158.40	−4.86
6.	TATA CHEM	10	31/03/87	193.56	36.19	18.25	20.43	6.24	10.74	1.75	0.30	**67.00**	242.47	−0.74
III.	**BASIC METALS**													
7.	HINDALCO	10	31/12/87	372.05	17.81	39.94	9.89	11.48	7.49	2.01	0.15	**86.00**	153.15	1.77
8.	INDIA FOILS	10	30/06/87	104.90	4.38	26.03	18.83	7.19	8.34	1.46	0.29	**60.00**	26.28	0.00
9.	MUKUND IRON	10	30/06/87	266.30	9.82	13.80	7.04	8.14	10.50	5.56	0.22	**88.50**	83.96	0.00
10.	TISCO	100	31/03/87	1416.39	155.89	9.34	7.59	75.91	10.42	1.89	0.24	**791.25**	912.31	−5.24
IV.	**CEMENT**													
11.	ANDHRA CEMENT	10	31/03/87	53.94	9.51	−13.00	38.04	0.73	12.67	0.42	1.38	**9.25**	8.80	−11.91
12.	ACC	100	31/07/87	760.92	39.88	−57.92	−6.50	0.85	262.35	0.61	11.74	**223.00**	88.93	−3.88
V.	**CHEM INTERMEDIATES**													
13.	BASF	10	31/12/87	59.30	2.84	10.15	15.88	7.25	15.17	2.23	0.28	**110.00**	31.24	1.86
14.	COLOUR CHEM	100	31/03/87	66.95	7.94	17.24	3.08	42.44	9.43	1.69	0.42	**400.00**	31.76	−4.77
15	DEEPAK NITRITE	10	31/10/87	23.60	2.43	10.30	5.05	3.99	9.02	1.36	0.36	**36.00**	8.75	−12.15
VI.	**COMM VEHICLES**													
16.	BAJAJ TEMPO	10	30/09/87	152.91	6.58	−25.31	4.06	2.64	29.36	1.05	0.47	**77.50**	51.00	−3.12
17.	MAH & MAH	10	31/10/87	599.28	19.26	1.11	9.40	5.76	10.07	1.25	0.38	**58.00**	111.71	4.51
18.	TELCO	100	31/03/87	1196.89	90.97	−38.98	−6.45	3.22	197.20	2.31	1.88	**635.00**	577.66	−2.68
VII.	**CONS DURABLES**													
19.	ASIAN PAINTS	10	31/12/87	201.72	12.45	32.95	30.02	10.07	15.27	4.23	0.30	**153.75**	191.42	0.82
20.	PEICO	10	31/12/87	385.93	33.32	1.54	−8.12	1.04	27.88	1.49	0.96	**29.00**	96.63	−12.12
21.	VIP INDUSTRIES	10	31/07/87	68.40	5.99	−1.39	N.A.	1.43	9.79	0.75	0.84	**14.00**	8.39	5.67
VIII.	**COTTON TEXTILES**													
22.	CENTURY SPG	100	31/12/87	390.80	26.62	4.55	12.57	56.50	14.91	1.46	0.42	**842.50**	224.27	4.01
23.	MADURA COATS	10	30/06/87	200.36	21.81	7.88	14.48	5.14	13.81	2.79	0.49	**71.00**	154.85	5.97
24.	RAYMONDS	10	31/03/87	225.19	22.48	37.75	22.02	5.89	8.23	1.68	0.21	**48.50**	109.03	−1.02
IX.	**DOMES CONS PROD**													
25.	COLGATE	10	31/12/87	182.20	15.72	23.25	11.34	6.49	31.97	10.89	0.40	**207.50**	326.19	−2.35
26.	HINDUSTAN LEVER	10	31/12/87	933.68	93.32	13.34	22.33	4.98	13.25	3.27	0.50	**66.00**	615.91	0.00
27.	ITC	10	30/06/87	1051.80	33.17	15.26	12.36	5.26	7.41	1.64	0.57	**39.00**	129.36	−3.71
28.	McDOWELL	10	30/06/87	145.20	6.40	−2.72	41.58	10.91	7.52	1.33	0.14	**82.00**	52.48	3.80
29	RECK & COLMAN	10	03/01/88	59.28	4.20	25.17	13.43	13.02	16.13	5.03	0.23	**210.00**	88.20	−1.76
X	**ELEC ENGG**													
30.	BEST & CROMP	10	31/12/86	123.56	4.73	−22.28	2.38	1.92	19.53	0.76	0.79	**37.50**	17.74	2.78
31.	FINOLEX CAB	10	30/11/87	60.58	1.80	50.69	32.42	45.39	8.62	4.23	0.09	**391.25**	70.43	0.33
32.	GENELEC	10	30/06/87	74.19	2.16	16.60	12.41	6.76	7.69	1.57	0.37	**52.00**	11.23	−3.27
33.	OTIS	10	30/11/87	54.28	5.04	18.55	15.36	7.58	23.75	6.19	0.33	**100.00**	90.72	2.86
34	SIEMENS	10	30/09/87	198.40	20.94	−1.55	2.63	2.48	26.21	1.62	0.42	**65.00**	136.11	2.36
XI	**EQUIP MANUF**													
35.	INGERSOLL	10	31/12/87	77.14	7.89	21.93	15.81	10.99	22.75	6.75	0.27	**250.00**	197.25	0.00
36.	KIRLOS CUMM	10	30/09/87	146.96	26.40	4.23	23.13	3.81	14.44	2.28	0.53	**55.00**	145.20	0.00
37	MATHER & PLATT	10	30/06/87	42.04	6.40	21.14	14.23	6.13	8.48	2.27	0.33	**52.00**	33.28	−11.49
XII.	**FERTILISERS**													
38.	GSFC	10	31/12/87	357.40	26.94	23.47	15.88	13.07	9.49	1.70	0.23	**124.00**	334.01	3.34
39.	SPIC	10	31/12/87	391.30	34.42	−23.16	N.A.	1.47	31.29	1.56	1.01	**46.00**	158.33	−2.13
XIII.	**FOOD PRODUCTS**													
40.	BRITANNIA	10	30/11/87	192.10	12.38	23.92	16.60	6.37	13.81	3.27	0.38	**88.00**	108.94	0.00
41.	BROOKE BOND	10	30/06/87	399.50	24.73	18.02	13.94	6.08	13.98	4.41	0.49	**85.00**	210.21	−2.30
42.	HIND COCOA	10	30/06/87	73.42	8.40	26.56	18.22	5.31	14.60	4.18	0.28	**77.50**	65.10	−6.63

MARKETS SLUGGISH

The downward trend persisted on the stock exchanges in the absence of any fresh support from the general investing public during the fortnight ended 8 July. The sentiment was adversely affected as expectations of tax concessions on dividends did not materialise.

Confirming the bearish trend in equities, *The Economic Times* index of ordinary shares (1984-85 = 100) moved down from 257.2 on 24 June to 254.5 on 8 July. Likewise, the *Financial Express* equity index (1979 = 100) declined from 345.07 to 341.76 during the same period. The *BusinessWorld* index went down from 140.42 to 138.64.

The main feature of trading during the fortnight was the sharp decline in the quotation of Bombay Dyeing's scrip which dropped from Rs 140 to Rs 126 (10%) on reports that the company would not consider the issue of bonus shares when the board meets on 14 July. As a result, cotton textiles shares remained depressed on tired bull liquidation and the absence of

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs.)	YEAR ENDED	SALES (Rs.crores)	EQUITY CAPITAL (Rs.crores)	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	COMPOUND GROWTH OVER 5 YRS (%) IN DIVIDENDS	EPS (Rs.)	P/E 8 JUL	P/B.V 8 JUL	PAYOUT	SHARE PRICE 8 JUL (Rs.)	MK.CAP 8 JUL (Rs. crores)	%CH.CAP Over 24 JUN
XIV.	**HEAVY ENGG/PROJ**													
43	ELECON ENGG	10	31/12/87	113.00	5.65	0.89	13.60	4.60	10.43	0.89	0.33	**48.00**	27.11	6.65
44	GAMMON	10	30/07/87	112.00	2.16	52.05	5.35	19.53	3.81	1.07	0.13	**74.50**	16.09	9.53
45	HIND DORR	10	30/11/87	42.66	2.38	25.48	14.03	16.43	7.61	2.25	0.23	**125.00**	29.75	3.85
46	ALFA LAVAL	10	30/11/87	51.00	5.21	15.13	15.63	5.37	11.36	1.57	0.34	**61.00**	31.78	-2.40
XV	**LIGHT ENGG**													
47	SKF BEARING	100	31/12/87	83.86	12.35	15.64	7.60	87.77	14.47	3.66	0.25	**1270.00**	156.85	0.40
48	BHARAT FORGE	10	30/09/87	120.10	5.71	33.86	6.63	11.51	10.77	2.18	0.22	**124.00**	70.80	-2.37
49	IND OXYGEN	10	30/09/87	131.00	14.60	-9.51	1.03	2.16	15.39	1.56	0.74	**33.25**	48.55	0.00
50	SANDVIK ASIA	100	31/12/87	38.93	5.78	-5.93	9.37	23.53	24.65	2.52	0.85	**580.00**	33.52	-9.38
XVI.	**MULTI PRODUCTS**													
51	IEL	10	30/09/87	478.41	40.87	-17.55	-3.37	1.24	27.42	1.20	1.06	**34.00**	138.96	-8.11
52	LARSEN & TOUBRO	10	30/09/87	573.10	56.37	7.47	15.43	4.90	19.29	2.43	0.41	**94.50**	532.70	3.85
53	RALLIS	10	31/05/87	225.41	5.64	25.69	11.40	10.30	7.28	0.16	0.29	**75.00**	42.30	3.45
54	VOLTAS	100	31/08/87	363.71	12.78	11.18	6.88	53.60	5.41	1.00	0.30	**290.00**	37.06	-0.86
XVII.	**PASS VEHICLES**													
55	BAJAJ AUTO	10	30/06/87	607.74	18.82	70.08	37.08	34.30	6.96	2.21	0.12	**238.75**	449.33	-2.55
56	KINETIC ENGG	10	30/06/87	91.25	1.20	15.57	19.22	20.25	10.74	1.62	0.15	**217.50**	26.10	-9.37
57	HIND MOTORS	10	31/03/87	373.01	26.41	-19.96	-2.22	1.17	18.16	0.70	0.85	**21.25**	56.12	-13.26
XVIII.	**PEST & AGROCHEM**													
58.	BAYER	100	31/12/87	111.70	16.22	9.38	12.80	27.19	12.96	2.09	0.59	**352.50**	57.18	0.72
59.	SEARLE	10	31/12/87	35.00	3.48	35.23	20.34	8.02	15.90	2.39	0.25	**127.50**	44.37	2.00
XIX.	**PHARMACEUTICALS**													
60.	GLINDIA	10	30/06/87	200.97	20.00	9.38	7.36	3.70	16.62	2.58	0.49	**61.50**	123.00	0.82
61.	HIND CIBA	100	31/12/87	176.80	17.71	6.26	13.26	38.17	12.18	1.66	0.52	**465.00**	82.35	2.20
62.	HOECHST	100	31/12/87	158.81	9.58	-16.27	-6.52	13.67	38.77	1.43	0.73	**530.00**	50.77	0.00
XX.	**PLANTATIONS**													
63.	ASSAM CO	10	30/06/87	44.15	7.00	45.90	55.03	6.46	16.25	3.16	0.62	**105.00**	73.50	-1.18
64.	McLEOD RUSSEL	10	30/06/87	43.45	6.25	35.83	39.23	8.06	11.79	2.54	0.56	**95.00**	59.38	0.00
65.	TATA TEA	10	31/12/87	151.10	12.20	24.81	N.A.	9.04	15.43	2.54	0.50	**139.50**	170.19	0.72
XXI.	**PLASTICS & PAPER**													
66.	BALLARPUR	10	30/06/87	362.66	13.98	-4.74	0.29	3.37	12.46	0.74	0.70	**42.00**	58.72	2.44
67.	BHADRACHALAM	10	30/09/87	48.85	10.57	-4.64	7.84	4.16	5.53	0.96	2.00	**23.00**	24.31	-13.21
68.	GARWARE POLY	10	30/06/87	76.78	5.81	16.35	21.89	7.57	10.50	2.23	0.29	**79.50**	46.19	4.60
69	SUPREME IND	100	30/06/87	57.26	1.80	22.32	18.88	101.67	15.25	2.48	0.18	**1550.00**	27.90	-8.28
XXII.	**POWER GENERATION**													
70	CAL ELEC SUPP	10	31/03/87	321.09	8.45	15.53	5.76	11.22	1.51	0.20	0.21	**16.90**	14.28	5.62
71	TATA POWER	100	31/03/87	330.90	20.00	35.06	11.11	148.20	1.54	0.49	0.11	**228.75**	45.75	-0.54
XXIII.	**SERVICE IND**													
72.	EAST IND HOTELS	10	31/03/87	65.93	17.34	11.41	3.52	5.64	8.69	2.11	0.35	**49.00**	84.97	-2.00
73.	HDFC	100	31/06/87	76.86	19.79	31.44	16.51	46.74	3.27	0.70	0.20	**153.00**	30.28	0.00
74.	20TH CENT FIN	10	30/10/86	17.70	6.34	53.14	54.38	5.98	4.26	0.94	0.30	**25.50**	16.17	-3.75
75.	TATA UNISYS	10	31/12/87	27.12	4.38	-1.18	12.19	3.54	26.13	5.07	0.62	**92.50**	40.52	5.71
XXIV.	**SHIPPING**													
76.	ESSAR SHIP	10	31/12/87	60.50	33.42	8.46	25.04	2.33	8.05	0.88	0.86	**18.75**	62.66	-7.42
77.	GR EASTERN	10	30/06/87	102.50	31.94	6.72	19.13	2.12	13.61	1.49	0.98	**28.85**	92.15	0.35
XXV	**SYNTHETIC TEXTILES**													
78.	CENTURY ENKA	100	31/12/87	280.20	11.87	16.76	13.59	118.03	11.86	2.03	0.32	**1400.00**	166.18	1.82
79.	GRASIM	10	31/03/87	531.00	21.59	2.68	4.51	4.00	26.75	1.88	0.60	**107.00**	231.01	13.83
80.	RELIANCE	10	31/12/86	989.90	158.26	-13.44	21.35	0.90	212.22	7.33	0.97	**191.00**	3022.77	-2.55
	TOTAL			20213.85	1608.93								12829.53	

BUSINESSWORLD INDEX (8 JULY) = 138.64 24 JUN = 140.42 (BASE 29 JUNE 1987 = 100)

EPS EARNINGS PER SHARE P/E PRICE EARNINGS RATIO P/B V MARKET PRICE TO BOOK VALUE %CH CAP PERCENTAGE CHANGE IN MARKET CAPITALISATION

fresh support. The *ET* index for these scrips declined by 5.94% to 172.1.

Transport vehicles equities showed an easy trend on nervous bull liquidation and lower advice from Calcutta. Consequently, the *ET* index for these scrips tumbled by 4.32% to 217.2.

In keeping with the general trend of the market, basic metals shares were subdued on investment offerings coupled with tired bull unloading. Tata Steel, the trendsetting scrip, plummeted from Rs 815 to Rs 791.25.

In sharp contrast to the bearish trend, cement equities showed a firm tendency.

"The recent fall in share prices does not indicate a bearish trend, but is the reaction which was overdue. Equities will improve in the near future in the light of the heavy purchases made by financial institutions Besides, the onset of the monsoon throughout the country is likely to revive the capital market," opines Bharati Dhirenkumar Thakkar, the first lady jobber in the Bombay stock exchange.

■ *S. Dhruv.*

LOW-KEY SENTIMENT

Equity values rule subdued on the stock exchanges. The sudden shift of N.D. Tiwari from the finance ministry and the induction of S.B. Chavan as the new finance minister adversely affected share values. Chavan, though favourably inclined towards the capital markets, has still to prove himself.

The artificial boom in equity values created by the former finance minister was too good to last. The operators knew that only too well. The underlying philosophy adopted by the stockmarket operators was to reap quick profits. Thus it is no surprise the party has come to an end. Investors were not purchasing scrips at higher levels and the institutions were also booking profits.

The Reliance counter can be dubbed as the architect of the current boom which sent the BSE index to a high of 628.63 on 8 June. The fall in the index may also be largely attributed to the softening tendency in this scrip. Reliance Petrochemicals' convertible debenture issue of Rs 516 crores — half of which is to be offered to the shareholders of Reliance Industries — has also failed to enthuse the market. The Rs 200 face value debenture will be converted in three phases, with the premium being decided at the time of conversion.

The first conversion will, however, be at par. This will result in each debenture holder getting only one equity share of Rs 10 each at par leaving a balance of Rs 190. Since the conversion price for the balance portion has been left undecided, it will be difficult to fix the floor price of these debentures.

DISINVESTMENT SELLING

It ought to be borne in mind that speculators, particularly small-time ones, have no staying power and they press the panic button at the drop of a hat.

The sentiment has dampened also because of the Sebi (Securities & Exchange Board of India) levy. Stockbrokers abstained from trading for one day to protest against the imposition of this harsh levy.

Technically, the BSE index has fallen by about 33% (an 80 points fall after a rise of about 240 points from the low of 390). The 540 index level is a major support level and the financial institutions may step in. However, there may be a rally if the tax on dividends is withdrawn. But this will also be shortlived if investor interest is absent. Against this backdrop it is advisable to go in for fundamentally sound counters.

> Equity values continue to remain subdued since investors are not buying scrips at higher levels and institutions are booking profits

Ficom Organics Ltd. (sales: Rs 13.53 crores in the year ended 30 September 1987) is currently quoted at Rs 165 on the Bombay stock exchange. The company is engaged in the manufacture of pesticides and lubricant intermediates. It manufactures alkyl phenol and has an installed capacity of 5,500 tonnes per annum. Its products like nonyl-phenol and dodecyl-phenol are import substitutes.

Ficom has a small equity base of only Rs 1.29 crores and even after a liberal bonus issue in 1987 in the ratio of 1:1, the company's reserves stand at Rs 3.07 crores. The half yearly results are also encouraging and the EPS stands at Rs 24. The company share is a good long-term buy (36 months) at around the Rs 150 to Rs 155 level.

Garware Plastics & Polyester Ltd. (sales: Rs 77 crores during the year ended 30 june 1987) is currently quoted at Rs 80 on the Bombay stock exchange. The share is much fancied and has touched a low of Rs 69 in the worst bear market. The company manufactures metallised PVC films, polyester chips, polyester-based adhesive tapes, heat sealable tapes, video cassettes, sun control films, computer tapes and X-ray and graphic films.

The company has a good track record and has declared a dividend of 22% for the year ended June 1987. The company has an equity capital base of Rs 5.81 crores and reserves of Rs 6.93 crores which will further swell in the current year. The share is a potential bonus candidate.

Now for some random advice: **DCW Ltd.** may be accumulated on a cum-bonus basis at around Rs 63 to Rs 64. **Gujarat Carbon** is a potential high-flier and it is a steal at Rs 26. **Great Eastern Shipping** is biding its time and the share may start moving up once the sentiment improves. **Synthetics & Chemicals** at Rs 36 is a good long term scrip.

Lakme Ltd. may just about maintain profitability and the company's performance has not improved much. **Essar Gujarat** is also a good sell at the current prices. **Reliance Industries** may seek lower levels if selling pressure increases.

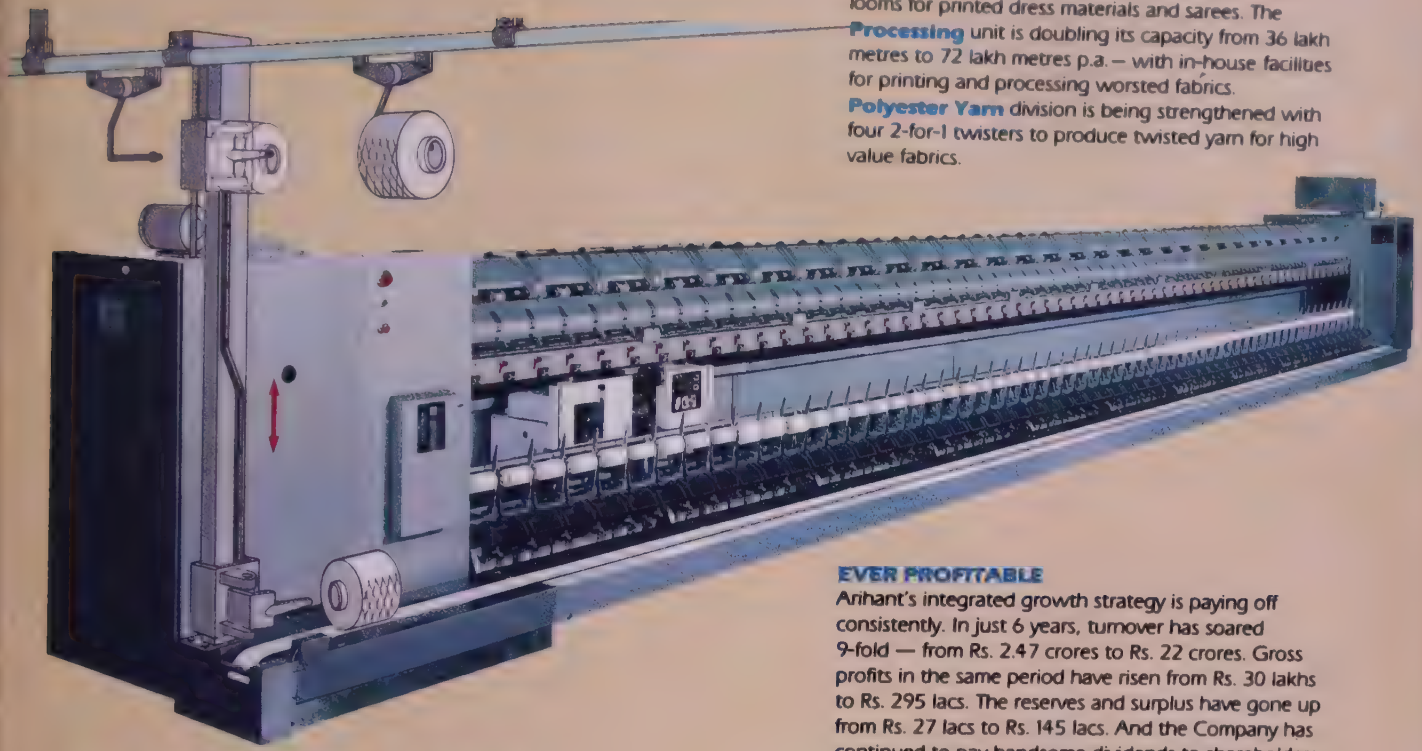
■ *Gul Teckchandani*

The author is a Bombay-based investment consultant.

India's most modern, integrated synthetic textiles complex, ARIHANT is growing rapidly — profitably And is now investing over Rs. 12 crores on hi-tech expansion and closer integration of all its divisions

EVER EXPANDING

The capacity of **Worsted Spinning** is being stepped up from 3,200 spindles to 6,000 spindles. **Weaving** division is adding 12 Sulzer Ruti projectile machines for premium worsted suitings and 24 Nissan water jet looms for printed dress materials and sarees. The **Processing** unit is doubling its capacity from 36 lakh metres to 72 lakh metres p.a. – with in-house facilities for printing and processing worsted fabrics. **Polyester Yarn** division is being strengthened with four 2-for-1 twisters to produce twisted yarn for high value fabrics.



ARIHANT's integrated strategy turns investments into profits.

For the company — and its shareholders.

EVER PROFITABLE

Arihant's integrated growth strategy is paying off consistently. In just 6 years, turnover has soared 9-fold — from Rs. 2.47 crores to Rs. 22 crores. Gross profits in the same period have risen from Rs. 30 lakhs to Rs. 295 lacs. The reserves and surplus have gone up from Rs. 27 lacs to Rs. 145 lacs. And the Company has continued to pay handsome dividends to shareholders (20% each for 1984 and 1985, 21% for 1986 and interim 15% for year ended March 1988).

The proposed expansion and diversification programmes will take the Company's turnover to over **Rs. 40 crores** in the current year and to over **Rs. 75 crores** next year, thereby further strengthening its position and profitability.

EVER NEW

Arihant's latest venture, **ARIHANT COTSYN LTD.**, is the first spinning plant in India with the revolutionary air-jet spinning machinery of Murata, Japan — 10 times more productive than the conventional ringframe.

A Rs. 17 crore project for the manufacture of 2 million kgs. p.a. of polyester blended cotton/synthetic yarn, Arihant Cotsyn will have a turnover of over Rs. 20 crores. In additon to the ready demand in the open market, the new venture enjoys a captive market in Arihant Fabrics — a major consumer of yarn. Arihant Cotsyn is thus one more example of the Arihant strategy in action. An integrated strategy that turns investments into profits.

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Eliminates lice... in minutes.

MEDIKER: SOLUS SPOT

LOUSY BUSINESS

After a protracted testmarketing phase in Madras, Procter & Gamble (alias Richardson Hindustan) has given its 'Mediker' anti-lice concoction a national launch.

The new product, though ostensibly falling under the cosmetics category, comes close to being a new concept, with the anti-lice treatment taking the form of a shampoo. As a quasi-medical product, P&G's Mediker has identified a solus spot and, at least for the moment, appears to have the market all to itself.

There is no doubt about the potential market. Lice — a perennial problem for schoolgoing children — constitute both a health hazard and a social stigma. Victims should, therefore, be more than willing to try out any new product that promises redemption.

P&G obviously is on a good wicket with Mediker. The testmarketing phase in the south involved wide sampling drives in schools. The adoption of a similar marketing strategy in the new markets is sure to generate a high trial rate for the brand. As a bonus, the product is reasonably priced vis-a-vis other shampoos and is devoid of medicinal odours.

Backed by the judicious use of mass media advertising and appropriate hardsell, the product has the potential to rake in profits, presuming of course,that Mediker will live up to its promises.

INTERNAL CAMPAIGN

Enterprise, the agency behind Charms' success, has landed an unusual contract: to evolve an internal communications package for Voltas, the diversified manufacturing and marketing company.

The plan, according to Voltas insiders, is to communicate to employees the values it stands for and its corporate mission. The idea, apparently, is to give all members of the Voltas family a sense of purpose.

Mohammed Khan, chairman of Enterprise, is enthusiastic about the mandate. "It is unique for an agency to get involved in such an exercise," says Khan.

The internal communications effort could not have been better timed, coming as it does at a time when Voltas is clearly emerging from the woods. In the six-month period ended 29 February, the company notched up an impressive 21% leap in turnover and a hefty 51% vault in net profits.

If the resulting high morale can be consolidated by the campaign to increase employee involvement, Voltas will have definitely got over the uncertain phase that began with the departure of its last chief executive Ramesh Sarin.

NOT-SO-DIVINE ENDORSEMENT

One USP that many an advertiser would like to have is divine blessings for his product. And if that's not possible, a human acting as god would do. Unfortunately, Doordarshan has killed that prospect by decreeing that none of the *Ramayan* characters can go in for product endorsements in divine costume. Put simply, that means that neither Ram (Arun Govil) nor Sita (Deepika) can sing the merits of a toothpaste or a television brand, but Govil and Deepika can as individuals.

The problem is that while Deepika can look like Sita minus Sita's garb, Govil looks like Govil at best *sans* the bows, arrows and saffron robes.

The result: Deepika has been merrily endorsing *agarbattis*, much to the delight of its manufacturers. Govil, meanwhile, has been singularly unsuccessful in his sales efforts. One product he endorsed — a political product called Sunil S. — was soundly thrashed in the Allahabad marketplace by one V.P. Singh.

CRUNCHY COMPETITION

The biscuit market is an arena where a couple of majors hold sway but there are still enough crumbs left for the local brands. Earlier it was Britannia which ruled the roast. However, Parle sneaked up in a flank attack, which Britannia felt was beneath its dignity to notice, and gobbled up a good chunk of the market. It was the Nirma-Levers story a decade before its time.

Now, others are planning to enter the fray. Liptons is busy testmarketing Lipton Marie and Lipton Thin Arrowroot brands in Orissa. Initial reports say that the biscuits have found a ready market. Meanwhile, to consolidate its Krackjack conquest, Parle has introduced a goldfoil version which has a longer shelf life. Shaw Wallace and a couple of other firm too are toying with the idea of national plunge.

KRACKJACK: NEW PACKAGING

According to industry watcher however, it is one thing to reign ov a small territory and quite another spread countrywide tentacles. Goi by past experience it is enough drive one crackers. Cream crackers, course.

■ *Kavita Gursahaney*
(With BW *reports)*

POWER SUPPLY SHORTFALL

The seventh plan power shortfall is likely to be as much as 2,500 mw. According to available information, there has been a 22% shortfall in the thermal generation target in the first three years itself. Against the 5,332 mw that were supposed to have been added to capacity, the slippage has been as much as 1,170 mw. In the hydel sector, against a target of 3,108 mw, the shortfall comes to 668 mw. This works out to 21.5%. The state electricity boards are also sinking further in the mire. Their yearly commercial losses, placed at Rs 1,550 crores in the first two years of the plan, have now risen to Rs 2,300 crores.

OILSEED OUTPUT STAGNANT

India, which spends Rs 1,000 crores in foreign exchange to meet the domestic demand for edible oil, has been singularly unable to step up production. The main reason for this is the continued drought. Oilseed production hit a record 129.5 lakh tonnes in 1984-85. This was, however, far short of the 140 lakh tonnes target. During 1987-88, the production was lower still at 127.11 lakh tonnes. This is an improvement over the 1986-87 figure of 114.53 lakh tonnes. The three southern states — Andhra Pradesh, Karnataka and Tamil Nadu — were the biggest producers.

STEEL PRODUCTION UP

The Steel Authority of India's production of both saleable steel and crude steel has increased in 1987-88. While the growth was 6% for the former, it was higher at 9% for crude steel. In hot metal, too, there was an increase of 4% over the 1986-87 figures. The fourth quarter (January-March) saw a 106% fulfilment of targets. The output in this period was a full 19% more than the previous quarter.

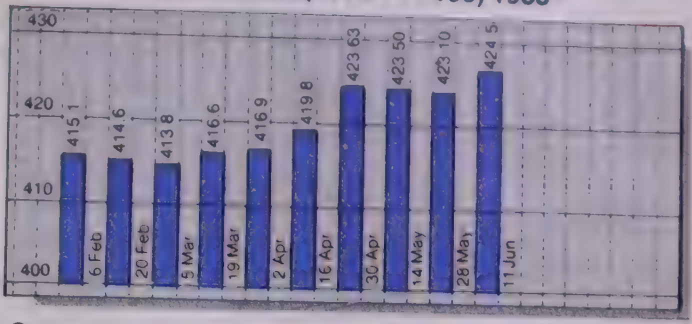
RABI PERFORMANCE

Although the drought has taken continued toll of the kharif crop over the past few years, the rabi performance has been much more encouraging. Official estimates of the 1987 rabi are 66.5 million tonnes of foodgrains, including 7.36 million tonnes of rice. The oilseed crop is put at 72.84 lakh tonnes. All three figures are new records. This has raised estimates of the total foodgrain production for the year from 134 million tonnes to 138 million tonnes.

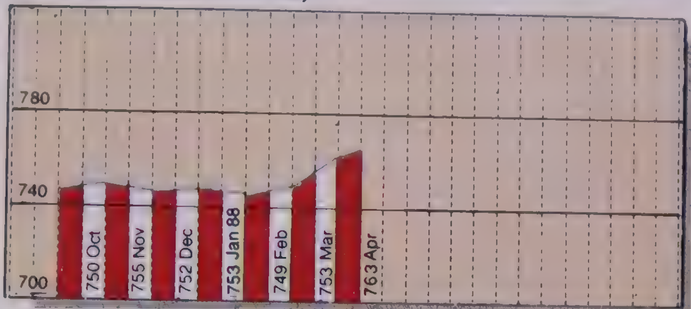
Foreign Exchange Rates (Spot) 1988

	6th July (Rs.)
One P. Sterling	24.05
One US Dollar	13.97
One D.Mark	7.70
One hundred J.Yen	10.50
One Saudi Ryal	3.78
One Kuwaiti Dinar	50.39

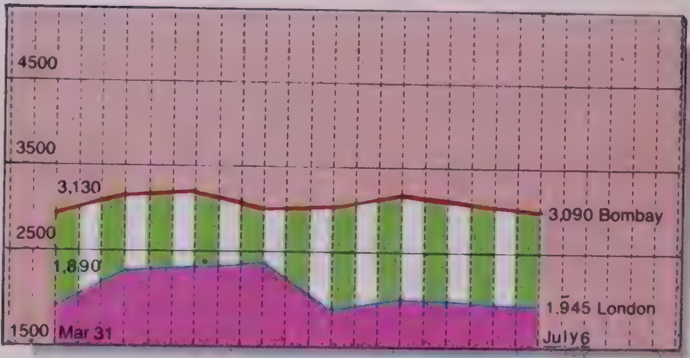
Wholesale Price Index (1970-71 = 100) 1988



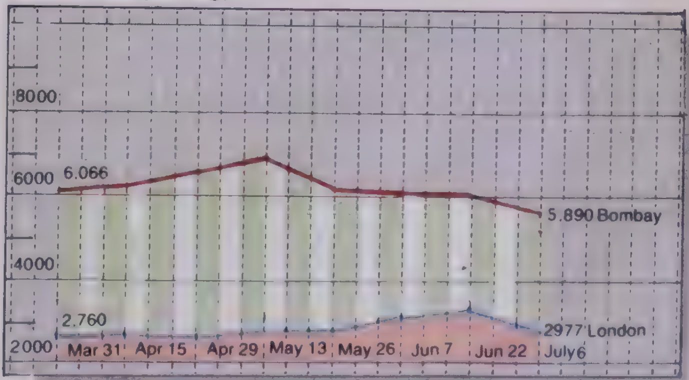
Consumer Price Index for Industrial Workers (1960-61 = 100)



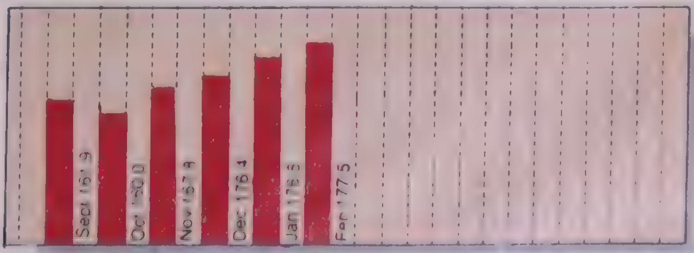
Gold (Rs.per 10 gm)



Silver (Rs.per kg)



CSO Index of Industrial Production (1980-81)



FAST FOODS FALTER

Fast foods, Indian style, are slow foods indeed. Not so long ago, the two entrants in the ready-to-eat arena — All Seasons Foods and Tasty Bite — were making loud noises about their first coming.

Now, Tasty Bite has once again put off its launch because of technical problems, the nth time it has done so. All Seasons, which is not having a very good time hawking its sauces and soups despite the canvassing efforts of Tarla Dalal and Sunil Gavaskar, has delayed its launch by three months. The ostensible reason: it wants to introduce its self-heating packs along with other products. Ready-to-eats are taking a long time to ready.

FROM HERE TO ETERNIT

Everest Building Products, the Bombay-based manufacturer of cement sheeting products, is changing hands. Turner & Newall International of the UK, which has a 49.5% stake in the company, has flogged it off to the Belgian group Eternit.

This is in line with the Turner & Newall group's decision to get out of the cement and asbestos business. Incidentally, the group is also selling off 20% of its holding in brake and clutch lining manufacturer Hindustan Ferodo to Raghu Mody. The idea is to come out of the clutches of the Foreign Exchange Regulation Act.

But what is a Belgian group doing in an innocuous Indian company? True, Eternit is a leader in cement, but the grapevine has it that this is the first stage in the eventual transfer to a non-resident Indian. Any guesses?

ZATAKIA: TANKFUL OF ORDERS

COLD WARS

Capturing captive airconditioner markets is quite a craze these days. Ramesh Suri of Subros Ltd. is firming his grip on the Maruti market. It will be providing 20,000 airconditioning systems for the Maruti deluxe each year. Suri is confident of continued orders because Suzuki, Maruti's foreign collaborator, has a 15% stake in Subros.

Yet another entrepreneur hopes to make a killing in the defence market. Milan Zatakia, director of Globe Auto (Gujarat) Ltd., is already supplying airconditioning units for the mobile medical vans of the armed forces.

Now he is hoping to bag the order for providing such units for battle tanks. Zatakia has an edge because he already has security clearance. The order, if it comes through, should go a long way in boosting Globe Auto's 1987 turnover of Rs 3 crores — there are just a handful of medical units while tanks are numbered in the hundreds. With the majors also eyeing such lucrative niches, the stage is set for a cold war.

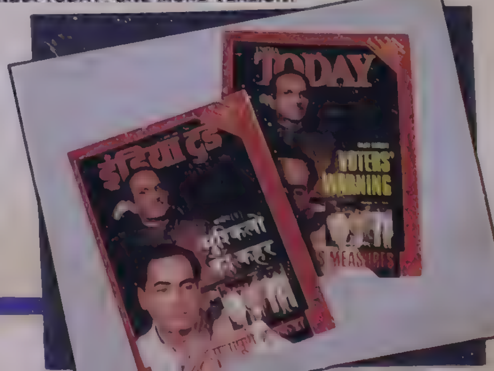
SOUTHWARD HO?

After its spectacular success with its Hindi edition, *India Today* is mulling over plans to flag off a Malayalam version of the magazine. This time it is not going to repeat its earlier mistake with the Hindi edition — circulation was expected to be less than a lakh and the advertisement rates were fixed accordingly; however, in a few issues circulation touched nearly two lakhs, leading to a revenue loss before the rates could be adjusted.

The Malayalam edition, when launched, could make quite a splash: magazines like *Manorama* Weekly command the largest circulations in the country. And its success will introduce another dimension to the power games in *India Today*.

After the Hindi edition clicked, editor Prabhu Chawla (who is also senior editor of the English *India Today*) gained the upper hand. Finally, the ascendancy of his faction resulted in executive editor T.N. Ninan seeking greener pastures. Will the planned south Indian foray spark a fresh exodus?

INDIA TODAY: ONE MORE VERSION?



FASHIONABLE PLANS

Reliance Industries may be working overtime today to ensure the success of its massive petrochem issue. But it is striking a fresh path in other areas too.

The company is now going into men's and women's high fashion. It already has a major presence in fabrics with its upmarket Vimal brandname. But designer garments are much more value added than mere suiting or sarees. Thus the margins are higher.

Reliance is planning to set up its fashionwear venture as an independent activity though what shape this will take is as yet undecided. With foreign majors like Playboy and Wranglers getting into the act, can local highflier Reliance stop itself from being in fashion too.

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